# Daily Report

# Latin America

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*FBIS-LAT-95-250* *29 December 1995*

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# Cuba

## Further Reportage on National Assembly Meeting

### Castro Addresses Session

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[Speech by President Fidel Castro at the first meeting of the sixth regular session of the National Assembly of the People's Government, ANPP, at the Conventions Palace in Havana on 26 December — recorded]

[FBIS Translated Text] Listen, I believe it is a bit late already so I am forced to be brief regarding some issues. First, I want to congratulate the companeros who spoke here and presented their reports: Jose Luis, Millares, Osvaldo. They presented brief, concise, and clear reports that can be published as they are, although they may contain some confusing details, to help the population understand things.

I also want to congratulate Alarcon for his brilliant words. Having said this, when I heard the first two companeros who spoke — you must know who were the first two persons who spoke when the debate began — aside from the one who explained...

[Unidentified official, interrupting] Jose Luis Toledo and Leonel.

[Castro] Who was the first to speak?

[Unidentified official] Jose Luis Toledo.

[Castro] And who was the other?

[Unidentified official] Leonel.

[Castro] I believe the other is a student, an economist or something like that.

[Unidentified official] [words indistinct].

[Castro] Yes, he was the second.

[Unidentified official] The first one is also an economist.

[Castro] Well, when they spoke — they later called one of these companeros Leonel — I believe they were hearing me. They referred to something that is extremely important. I would leave this building concerned if I left with the idea that this issue of taxes is not sufficiently clear, because it would be a tragedy for the country and it would be practically rejecting the idea that we want to preserve the accomplishments of socialism, that we want to preserve socialism. Capitalism doesn't need to be created, it creates itself. Everyone exerts pressure from all directions so that we give opportunities to capitalism, as if it needed them.

And we must take into consideration what the second companero said concerning the fact that a sector will become immensely rich and that we could resolve problems now by resolving certain difficulties, which may become later a serious problem for the country. We must take this into consideration because this is the origin of a new social class. The more powerful it is, the more influence it will have over society and the more it will challenge socialism. I think this is a question of political strategy that we must take into consideration.

The other companero said that the he thought taxes were insufficient. And it is the truth. We have heard the explanation by Millares on what tactics are being pursued regarding taxes. I have insisted — yesterday I told them this with energy — that we must grab the bull by the horns and face this problem of taxes the way it must be confronted.

There are people in these businesses, not only those that have been authorized, but also those that have emerged around them or are linked to them. There was talk about the home restaurants, and later, there was talk about those people who sold things here and there. These people earn more in one day than what a high school or a grade school teacher earns in one month, more than these teachers who go to school every day to educate the children. The same applies to doctors; these people earn in one day the income a family doctor earns in one month. Some of them earn much more than what I earn in one month, and the fact is, they earn it in less than a day.

I talked about yesterday because it was yesterday when I held a meeting with the presidents of the commission to discuss the issue dealing with self-employed workers. There were 13,000 hired drivers registered on the list that had no license, and their average daily income amounted to 500 [pesos]. Many workers do not even earn 200 pesos in two days. In one day, these drivers earn what a factory worker earns in 15 days. There were 13,000 of them registered. I wonder where they got so many old cars.

There was a time, and I take the blame for it because I did not offer much resistance to the peculiar idea of giving cars to the administrative officials, since we thought it would save gasoline. I believe I opposed this idea for years, but it was finally approved. These drivers are now competing with tourism cabs and everyone else. They go inside the hotels and other places. However, they charge 100 pesos for their services.

One day, there was this guy who had purchased a retail business. He said he was a member of the retail trade association, didn't he? He had sold 90,000 pesos worth of wine, that is, 10,000 bottles of wine. I do not even

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recall the name of the wine, which was not made of grapes or anything similar. He sold 10,000 bottles of wine at 9 pesos per bottle, and made 90,000 pesos from one single sale. We later learned that he had sold this wine in every province. [Words indistinct] the miracle of the wine brought to life, the one referred to in the Bible. No one else knows how this wine [word indistinct]. This wine was not made of grapes, of course. This entire business went on with prior authorization. The Administrative Council of Retail Businesses of Santa Clara Province paid the wine maker in Havana Province — as the man was from Havana —90,000 pesos to purchase 10,000 bottles of wine. The man earns one million pesos a year by selling each bottle of wine at 9 pesos. [Words indistinct]. However, the Food Industry Ministry is running around trying to find some bottles to bottle the vinegar people need for their everyday use.

The same applies to beer, fruit compote, and rum. There are many products that cannot be produced due to a lack of containers. It is as simple as that. In the past, we had to factories, one of them was large, to produce containers; one in Las Tunas and another here in Havana. We would like to at least put them to work through a joint association.

In Regla they sold 10,000 brooms to someone, I do not know to whom. We heard about things that are sold there such as shoes made with well-tanned and prepared leather. Some wondered from where the lumber for some beautiful pieces of living room furniture came. No one knew where the timber came from and in what forest the trees were felled.

All of these developments associated with situations of this sort should not discourage us. These are irregularities, but the wine man virtually became a national hero and the media even reported on him. This man almost became the savior of the fatherland — a wine producer.

The country, in its effort to open up, is now also accepting foreign currency. In the past, the entire production of all factories belonged to the country regardless of whether there was were more or less efficiency involved. Now we must not forget that when we talk about exporting certain amounts of a product, half is ours and the other half belongs to our partner. One part involves salaries [words indistinct] everything is no longer ours. In the past, everything that was produced was ours as well as everything that was exported and everything that came in. And now we must share with our partner, and if we are successful — and we need to be successful to develop the country — we can no longer check only the accounts of our revenues. The tax must be there. What if we did not charge a tax? We discussed this within the law, and we thoroughly discussed whether it should be 30, 35, 40, or 25 [percent]. In the face of reality, we established a reasonable tax on profits.

As I said previously, we try to preserve everything we can for the state. And I am speaking the truth when I say that most of what has been done in the tourism arena involves national investments, resources of the country. Today, it has become the number one hope for the generation of foreign currency. This was not realized in the past. The previous mentality, which was adapted to past realities, disappeared. It was difficult to make the citizens understand the need for tourism and foreigners. We had a hard time with this ourselves, because we knew that this would be accompanied by other things. This hurt us, it hurt us very much, but we had to resign ourselves to it because there were things that hurt us even more. We hurt for the country, the revolution, and all of its works that we had to save, thus, we had to challenge one of the inconveniences.

We have to dedicate hotels to tourism. We have remitted revenues from hotel services. We have no alternative. We have done almost everything with our own resources, though. If a hotel is ours, it is ours. We share hotel property when we have no resources, or capital, or means to build it any other way. This is a complex matter. Regarding tourism, we had to educate everyone. All of the people are angry at constructors who have let down the revolution, at the sugarcane people who have let down the revolution.

At a recent meeting with some companeros I used stronger words to say that those people have let down the revolution. If there is one sector that has been able to count on resources, including foreign exchange, to perform well, that sector is construction. Not only construction workers failed, the designers, the administrators, and leaders of the construction sector, also failed.

This is true also for the sugarcane workers. The country has failed to receive more than $2 billion in the past three years because the sugar production level dropped to its present level. Production was going to drop anyhow, but it dropped more than was needed. There was abandonment, little care for seeds, many things.

This happened to important sources of income.

There is tourism now. It has brought much income, so much that nowadays tourism brings in more gross income than sugar. Already! In 1995! You can see this is a promising situation in a country enduring circumstances Alarcon has described as an economic war. I just found out what he read, because he started speaking so early.

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I know that after the Agrarian Reform they started a war, that of Giron, which was not economic but military. I did not know they had declared an economic war since such an early date, weeks after the passing of the Agrarian Reform Law.

This is why I have said that whatever can be ours we own. If a hotel can be ours, wonderful; if this cannot be, well, then we will share it. But we continue believing in the huge benefits that can be derived from socialism. National interests, which are the interests of the people, are above everything else, as we see it.

Under capitalism, the interests of the people and the interests of the nation do not coincide. It is only under socialism that the nation's interests and those of the people coincide. Whatever we do is to benefit the people, not a particular social class, the rich, or the exploiters.

We have to charge taxes. In referring to comments I have made, Millares told me that we are demanding that they — the economy, the Finance Ministry, and the bank — make sure taxes are paid, that the necessary mechanisms be implemented. He is right. We could not have a perfect tax system for self—employed workers. This would have put many workers out of a job. The idea is to resolve social problems and material needs.

This is why we established a fixed tax amount. This tariff is backed by a good idea: Local people's government could increase the taxes.

This had to be done. It is always easier to give than to take. The best tactic is to take first and to give later because if you give something first and then you try to take something later you will have a big headache.

This is what happened with the coachmen — something no one was able to foresee! In Las Tunas some coachmen were making up to 3,000 pesos, 4,000 pesos — I don't know how much — a huge amount, and they were paying the minimum tax. This quota has been increased but the authorities had to argue a lot with the coachmen because they almost went on strike, the Las Tunas coachmen! This would have been the first strike by coachmen in history! [Words indistinct] and they transported us, in a situation where there were no buses or anything, and they could charge whatever fare they wanted. With what they earned before they had several employees. One took care of the horse, another employee took care of one carriage, while another one cared for another carriage. The municipalities countered by raising the quotas.

But we have been defending, myself in particular, the idea of the gradual tax from the start. It is the one we have in mind because the income gaps are just huge. The person who earns, what can I say, a huge amount such as 1000 or thousands of pesos, is not the same as the one who earns 200 pesos. A gradual tax is much fairer and we want to reach that point, in a country that has forgotten everything about paying taxes. Yes, I remember when we debated the taxation of peasants many years ago. They ended up not paying, because they had no idea what taxes meant or any desire to pay taxes. I would add that they had no sympathy for taxes.

Now, people are confused about taxes. This assembly cannot conclude unless it is very clear on the matter. And we have to discard the notion that taxes make things more expensive. There are taxes that do make things more expensive, of course. If they charge you for a document, it is something you have to pay for. If they stamp a government seal as a customs tax, the tax makes the imported product more expensive in any country, right? It is different here. The state frequently pays the tax, that is, it buys expensive and sells cheap. It pays the tax in reverse.

But we are considering an income tax for self-employed persons, especially those with high incomes. It is a tax on profits and not on losses. Now, if they sell the pound of rice at 10 pesos, it has nothing to do with the tax but with the supply and demand of rice. In addition, due to the law on profiteering, you can always charge more because you know that for a television set to be repaired, and it was discussed during the forum, a person can charge up to 700 pesos a day. It was mentioned while we were talking about repairing motors, compressors, [word indistinct]. A desperate family with some resources is charged 700 pesos a day. It is an amazing income and it has nothing to do with the tax. What is more, you remove the tax and he charges more. If the money and demand exist, they will sell at higher prices even if all taxes are eliminated.

Ladies and gentlemen: This is the tax that must be collected, the tax on profiteering. Does somebody care to complain? Because they are profiteering on some of these prices, truly profiteering in a legal sense because we have legalized it. We have legalized profiteering, another distinct type of profiteering that was done with black bags here and there, one way or the other. But we must face reality.

The people should learn the meaning of state and socialism. Many are learning it. The state generously sells rice at 25 and beans at 30. I think these are the prices, more or less. Another person sells the rice at 10, and still another at 15 and beans at 20. Their prices are 30 or 40 times higher. [as heard]

Additionally, this tax on progressive profits of the self-employed will not cause higher or lower prices. The tax,

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in all justice, will simply collect part of the money that these vendors are taking from the people. The people are not harmed at all. But it seems the people have a great confusion as to the meaning of taxes. The circulation tax does cause a price raise on beer and other products because it is a tax on products, not on the vendor. If the product's price is raised by five pesos, that is it. As for the person who sells his car, he will find no takers and, consequently, will not be able to sell it. Why have the prices of products come down? Not so much because of increased production... [pauses] Every time I see Longo I ask him: Longo, how are the peasants? How much are they producing?

The price reduction has been brought about because 3 billion pesos, 25 percent of liquidity, have been collected from the people. We have collected one fourth. They have no more money as in the early days. So the amount of circulating currency has dropped. Higher prices would prevent sales because free market, supply and demand, is in operation. If they no longer have this amount of money, they cannot buy rice at 10, but at 8, 7 [words indistinct]. Yet they collect less money because they sell less cigars and less rum. They do not have money to buy [words indistinct], although the income was very high. A time will come when a balance will nearly be attained. This is to say, a time will come when it will be increasingly difficult to collect circulating money. In addition, they do not intend to collect all of it. Yet the collections from these products are reduced as the result of the measures taken at the National Assembly, where they were discussed at length, as it is said here. I think we have plenty of reasons to feel satisfied over all of the measures taken in all fields, economic, political, and administrative, as well as controls and demands with which we must keep on struggling. All of these measures have yielded results. Stability in the country. I still remember the events halfway through last year, when it was impossible to travel to Regla.

We have attained peace, order, and stability in the country. All of these factors have contributed to increase confidence in the revolution. Apart from the economic results and as a consequence of a policy of opening and some good associations we have struck, we have improved the production of nickel and cement, which are part of a policy of opening to foreign investment. We have been able to open manufacturing plants and seek markets we did not have. Now we feel more confident.

We must be 100 percent honest. We are talking of things we expect for the next year. We expect a sugar crop of 4.5 million tons. I can tell you this does not make us happy. This figure represents an increase of approximately 30 percent. But approximately 300 million [currency not specified] have been required to buy fertilizer that the sugarcane did not have: Raw materials, to manufacture or buy tires, spare parts, motors, metal for repairing sugar mills. All this required a 300 million loan and a very expensive loan at that. We do not enjoy the credit status of other countries because we are blockaded. Such loans are extremely costly for us. For those 300 million we will have to pay more than 50 million in interest. In other words, we are already spending resources we have obtained with our struggle, resistance, and greater efficiency.

Many people look upon Cuba with satisfaction because they see the order, the common sense with which things are being done, without the hurry and foolishness that have devastated other countries. Such things are not published here. But I see some things happening in some countries that used to be our friends, which we still regard with consideration. Terrible things are happening in some countries. We checked our fall in 1994 and this year we started to lift ourselves up despite a double blockade and the threat of all those laws that have a negative influence on us. The people are influenced by such laws as soon as they are announced. Such laws act as a deterrent against business and possibilities and create problems of all kinds. Loans are negotiated with this or that bank. What comes in this way, goes out that way. And I think what goes out that way is more than what comes in.

The people see we have done things in an orderly manner. People abroad also see that we have solved very difficult problems and that we have done it by ourselves. The people see the honesty of those who must make the most important decisions in all of this. They see that here there is no commission that is worth anything, and when worth anything it is only at a basic level [Ven que aqui no hay una comision que valga y cuando vale es a nivel basico]. No buyer allows himself to be bribed by a company selling something, and no minister or party leader making fundamental decisions has ever been dismissed. All of this is appreciated. And we have access to more loans. We are borrowing. We borrowed approximately 300 million for the sugarcane. And we had already borrowed for tobacco. By the way, this loan coincided with the rainy season in January last year in Pinar del Rio. The place was under water. And this happened the day the visitors from the enterprise that lent us the funds arrived in the country. And the first thing these people saw were the scenes on television. We said to them: The country will respond to that. Be still. No one knew what could be saved.

Well, there was a marked improvement in the coffee crop this year. Unfortunately, the same improvement was not present in twisted tobacco. This is not just a

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matter of quantity but of quality. And a cigar of these is sold for a good price. We receive at least 60 million. It is true, as someone said, that our products have all the market we wish for them. There was no large increase. We were forced to sell at lower prices. We amortized our loans, but we have had to sell our raw materials. Of course, it is important to amortize our loans because, for instance, this year we will have loans available for tobacco once again. What we have to do now is simply to produce high quality tobacco for twisting all the tobacco we can sell.

Now we need to ensure we make a quality product. We have this sugarcane harvest ahead of us. Everything we have talked about here can collapse if this harvest fails. This harvest has caused many meetings, as provincial, party, and government leaders know very well. Every detail was analyzed such as the daily rainfall, whether a part broke, if the [word indistinct] plan has been fulfilled or not. Even I acquired the right to the title of prophet, because every month I said what was going to happen. It was clear; the year's behavior could be seen.

Measures were improvised; the fertilizer purchased was not enough for the (?cold) sugarcane, we sought resources to fertilize the caballeria and the (?cold). We said, if we are going to have less, hopefully the yield will be better. All sorts of measures were taken and we took all the risks.

These 300 million have to be repaid, plus interest. Now we start with the rice in much the same way. We do not have money to purchase herbicides, pesticides, or fertilizer for rice. We are even making an effort to go back to engineering work and convert all available rice fields, in a minimum of time and with greater rational and economical methods. Yesterday's price for rice was $360 a ton, nearly twice what it was some time back.

These are possibilities, but we need to fulfill our obligations. That is why companero Jose Luis said that there was some uncertainty. It is good that we know there is uncertainty and that we must struggle with realities. We need to be more aware of this. That is why the companero also said that this harvest must be followed closely, mill by mill, wagon by wagon, truck by truck, cart by cart, and man by man.

In fact, because the weather is acting strange, we are advancing the date from what was supposedly the ideal schedule, and moving ahead a couple of days. But I know of one mill that has advanced the date 10 days. That was the Cielo Redondo mill. In those 10 days there was 150 mm of rain. The extra 10 days it had gained were lost.

We are advancing the schedule because it is better to risk losing some sugarcane than to find ourselves harvesting in May. It would really be a pity to waste all that effort. We need to struggle against rain and make people aware. We cannot halt a harvest because of a drizzle. We can't just say the harvest was stopped by rain, or that there's just a green mark, there has been little rain. We have to guarantee this harvest and this is serious.

Regarding the fundamental problems and the topic of taxes: Some of the goals are high the way it stands and the way they were proposed. That tourism's net profits increase by 50 percent is a goal that needs to be fought for, but is nevertheless a high goal and a final one. The goals are high but the decision has been made to fulfill them.

There is the price matter. We have been thinking about the price uncertainty matter, worse yet, about the painful imports price situation. Fuel prices will go up. Somebody mentioned 87 million [not further specified] more [words indistinct] in fuel.

Food prices are going up tremendously, but this is a problem of another nature, as I explained the other day. This is a worldwide problem. We are going to put together some information to send it to the cadres, to everybody, so that they know about this situation, which forces us to make a bigger food-production effort.

The price of wheat is very high. Rice? If you want to buy rice, you will not be able to find it. The prices of all grains have gone up tremendously. So we are going to enter 1996 with higher fuel prices, much higher food prices, and somewhat lower sugar prices, since sugar has not suffered a production drop, sugar production has increased.

These are uncertainty factors, as Jose Luis would say, and we must be aware of this. We are entitled to feel very satisfied with our achievements, which are a source of amazement. There is the fact that the value of the peso has gained in value five or six times. But I also have to think about taxes. I am thinking about the bottle-man. In the past he needed 120 pesos to get a dollar. Now he only needs 25 pesos.

Teachers will not benefit much from this. This is clear. As a rule they did not have 120 pesos. Now the dollar can be gotten a bit easier. Maybe the teacher has 25 pesos to buy something someday. We are revalorizing our currency. Who is going to benefit from this? Not the new rich. This has to benefit the people.

The rich will benefit a lot anyhow. They are still going to be rich. Progressive taxes can go as high as 50 percent

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and he who earns 300,000 pesos will still have 150,000 pesos.

All of us have worked hard for this revolution we are trying to save now. None of us imagined having to work for a bourgeoisie. Throughout the revolution we have tried to help the workers. I have mentioned that we have never sold an automobile, or a motorcycle, to private citizens. They were sold, yes, but as rewards, to sugar mill workers, especially in the countryside. Thousands of motorcycles were sold this way. Some have been repurchased recently by people who have some money, despite the fact that there is a compromise that prohibits this and offenders can lose their right to the motorcycle, to the automobile, to the house, if they have a house. We have such cases. The revolution gave houses, beautiful apartments. Remember the apartments we delivered in the Sports Zone. Some people have moved in with their neighbors and have rented their apartment for 600 or 700 pesos.

What do some people want? That we do not charge a penny in taxes? They have to pay. We are not working for those people. We are not working for the rich. This never crossed our mind.

Do we have to tolerate the presence of rich people? Fine! But I have said that they do not have everything in their hands. The revolution has not sold houses to anybody. It delivered them. It delivered apartments to people paying them a laughable sum: 10 percent of their salaries. How many billion pesos has the revolution delivered in the form of residences? Alarcon could have mentioned this also when he spoke of the ideas of the rich landowners.

Listen to this: Money did not determine who could buy a television set. Remember that there have been profiteers for quite some time, and people with a lot of money. However, television sets went to the workers until the time came when there were so many sets available that they were sold freely.

Washing machines, which were distributed by the women, refrigerators, and many other articles were distributed not with basis on money. We always helped the workers.

Now we cannot operate that way. We have to function differently. Today we have the rich, and not only those who get rich honestly, if such thing is possible and, in looking to determine where raw material comes from, we were to find nothing wrong.

There are those who get rich honestly and there will always be such people. If the convertible peso someday becomes the equivalent of the other peso we will not have two currencies anymore. How long will it be before that happens? I wonder if it would be desirable to have that happen.

We have to keep the people from being confused. It is bad to have the people bewildered. It is necessary that the people help, that they cooperate, that they provide information on who is acting wrongly. There are those who rent things. If renting is authorized, then it is an authorized activity, but let the landlord register and pay his dues.

Taxes are necessary for the struggle against crime, against illegal residents. The City of Havana is receiving the punishment it deserves. This goes for the people of Havana and many people from the eastern provinces who were brought here by the people of Havana. They have the afflictions they deserve: Water supplies and other supplies are not sufficient.

I have heard of a Havana municipality that has 30,000 illegal residents. I cannot believe this, and I will not believe it until I verify it myself, and it is not one of the largest municipalities! How could 30,000 people live as illegal residents in a municipality if they were not getting the support — a room, a corner — to stay there?

This is another battle the country has to wage, the battle against illegal residents. The promotion of this situation shows lack of concern.

The people must be convinced that illegal residents weigh down on them and directly affect them negatively. Each illegal resident represents one more person using transportation services, demanding housing, using water and other supplies. The people must use their logic and realize that opening their doors wide open to illegal residents is egotistic, mistaken, and antisocial.

Likewise we must keep people from mistakenly confusing circulation taxes with successively increased taxes. We are not so concerned with taxes from a worker's salary. We are concerned with receiving tax payment from those who earn in one day 10 times or 30 times as much as what a worker earns.

This should concern us all. The media, which can help us, and that so much has helped us in so many things, could now help us make the people understand this problem instead of turning the wine-producer into a hero. Enough is that we have to digest some television advertisement. We have to accept them, but none of us like it. Drink this, buy that, eat this, wear these clothes. All this is crazy and we have had to accept it. How many things we have had to accept!

But don't turn the wine man into a hero, for example. From what I have heard of him in recent days he could

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be turned into a saint. Who knows! This has to be verified. That man is going to save the country.

This was a source of concern for me, Alarcon. I think you were going to close the event and some of these things were going to remain vague, and this is the Assembly that is everywhere and that has to participate in this battle. [applause]

### Economy Minister's 2d Speech

*PA2812150095 Havana Tele Rebelde Network in Spanish 0308 GMT 27 Dec 95*

[Second speech by Jose Luis Rodriguez, economy and planning minister and vice president of the Council of Ministers, at the first meeting of the sixth regular session of the National Assembly of the People's Government at the Convention Palace in Havana on 26 December — recorded]

[FBIS Translated Text] I would like to refer to certain issues that the deputies mentioned. I think that [words indistinct] perhaps due to a lack of information about the plan [three-second break in reception] were unable to present it in the same way that [words indistinct]. We hope that in the future you will have access, as it should be, to all the elements beforehand in order to allow you to make more in-depth analyses.

Nevertheless, I think that important things have been said here and it is advisable that I address them. I wish to refer to certain issues that several comrades have stressed. They talked about the resources that the country is earmarking — as part of this tremendous process to revive the economy and the gigantic effort that this entails — to take care of our people's social and living conditions.

As Comrade Alarcon just said, this is a society, as opposed to the one in the United States, in which these issues are not addressed in order to make economic adjustments to balance the budget at the expense of the workers' vital interests to meet its needs. For example, the earmarking of resources within the budget to public health was mentioned here, and I think that it is advisable that I add that this involves a major effort next year to supply resources in national as well as freely convertible currency to carry out a hygiene program, a support program in the public health area. This involves not only assistance programs in very specific areas that we have discussed with the Ministry, such as stomatological and ophthalmological services and the production of other indispensable medicines, but also environmental cleanup and the purification of drinking water, the struggle against infectious disease, and trash collection.

I think that, although the work done so far does not satisfy all our needs, it indeed involves a great effort by the country to improve basic aspects that pertain to and help to improve the quality of our people's health. This is reflected, as I mentioned in my report, in an estimated 36 percent increase in the allocation of foreign currency in addition to the amount in national currency that will be earmarked to reach the goals.

We did not only make health a priority; we also made the allocation of more resources for education a priority. Thus, we will not only have guarantees to carry out the school year, as we have done so far, but we will also have guarantees to ensure that it reaches more persons. And we are at least prepared to ensure with greater anticipation the development of the next school year and more resources — certainly not enough to meet the needs, but more than during the current school year — for general education and partly also for superior education.

Services for the population, a concern that the comrade mentioned, will not be reduced; in fact, they will be increased. Our policy is certainly to try to concentrate resources to offer services that are currently high priorities for the population. We discussed this issue with comrades of the organizations that pertain to this, and especially the repair of refrigerators, television sets, stoves, and a number of services that are very important to the population. In this regard, although we were unable to meet the needs in one year, we think that with a modest increase in resources for this purpose we will be able to achieve some improvement.

The food industry was mentioned among the services that the population receives. In this regard, there is an aspect that perhaps requires clarification. The food industry involves the sale of cigars, alcoholic beverages, food, and other products. As a whole, the value moved in the economy next year will be lower to the extent that the sale of cigars and alcoholic beverages is reduced, but there will actually be an increase, a rehabilitation — although this is a budding process that has just started — of the state food industry.

In other words, there will not be an absolute decrease in all areas of the food industry, but we are trying to concentrate the few resources we have at present to reverse the deterioration of the state food industry for reasons that were already mentioned by certain comrades here. This does not mean that we will take extraordinary leaps next year, but I wish to clarify that a drop in the total value moved by the food industry does not imply a decrease in all its activities, because certain activities decrease the volume of sales and others increase it.

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One of the deputies talked about the delays in construction work for the tourism sector. I believe it is important to insist on this topic, because I do not think the situation is as the deputy portrayed in his speech when he said we could not make up for the delay. No, we in the year 1996, especially in this five-year period, must make up for this delay. The country must build 25,000 more rooms than the ones we now have so that we can take advantage of the increase in the number of tourists visiting the country. This year, we have a strong plan. We have not even listed all the installations that are needed to develop the tourism sector, but we are going to incorporate them as the feasibility studies allow us to do so, precisely so that we do not have to allocate resources for things that are not completely guaranteed.

In 1996, we will be able to make up for the delay [words indistinct] in these installations and as has been discussed recently, much depends on organizational factors, on [words indistinct] to plan the construction of the installations, the way the work is organized. The companero here gave us an example of how work organization produces results.

I believe we must insist on that because the potential revenue we can obtain from tourism versus the amount of money to be invested is huge. That is a key element for this year. That is one of the things we mentioned in the plan.

I believe the plan also mentioned the potential [words indistinct] such as tobacco. We have to find a greater yield of quintals per caballeria of tobacco because it really is [words indistinct]. Everyone knows that one of the export sectors with an unlimited market is the tobacco industry. We are not growing in the proportion of the resources we are investing in this area. The first point we must take into account here [words indistinct] was the low yield of quintals per caballeria. That is an element we must discuss because [words indistinct] its potential. It is a risk-free, highly valuable resource as far as exports are concerned. These are things for which we need to be more efficient. These are the things that have great significance for the country. They are not the only ones, but they merit closer attention in this regard.

Companero Otto Rivero talked about the situation of the [words indistinct]. I must inform him that precisely yesterday one of the points that was discussed at the meeting of presidents [words indistinct] had to do with the program that was being conducted to achieve the objectives he was talking about, precisely [words indistinct] in keeping with the needs demanded by the country as a vital element in our strategy, not only for our survival but for satisfying our needs. That is one of the possibilities because of the little amount of capital needed. There are a series of measures that have been adopted so that, as companero Otto said, we do not have to face things that really have no solution for the population. It is work that is being conducted at this time, but it is being conducted with specific measures and with decisions that will be implemented in the first months of the year.

Finally, I wanted to talk about two aspects. One has to do with the supervision of the plan. This plan, which we have discussed here today, should come with a rigorous, periodic supervision system. We at the government will review the implementation of the plan every three months. We are going to establish the mechanisms, based on the ones that already exist but are not applied, so that the plan can be implemented at all levels.

I believe that what Companero Alarcon is saying is very important. I believe the process should include an explanation of the plan to the population and supervision of the plan. We believe labor unions should be incorporated, our political organizations should be included. It is with their participation that we can really achieve our production goals, which can definitely tell us if the plan can be fulfilled or not. That must be done in a systematic manner. In certain sectors, we cannot even wait for the three-month period to go by. There are key things in the country such as the sugarcane harvest, which was discussed here. We must supervise this sector practically every day. We must be capable of guaranteeing the production of sugarcane as stipulated in the plan, not only because of what it means in terms of the recovery of the sugarcane industry but in terms of the obligations we have with this production and the significance of a greater sugarcane production for the country's financial situation and the country's credibility as well as the confidence we need creditors to have with an increased sugarcane production. We must have everything organized. We need surveillance, supervision, and assistance for the companeros who are directly participating in the production of sugarcane to attain these objectives.

Finally I wanted to talk about the tax problem. I believe much has been said, especially by companero Alarcon, about the need to pay taxes in our country and the philosophy behind the payment of taxes. I believe in this regard that we must adopt measures that can rapidly help increase efficiency in the collection of the taxes we have already established and those that remain to be established. Concerns have been raised by the companeros regarding the income levels a series of citizens have been achieving, including self-employed workers in the country. Much has been said about the collection of taxes from these workers. We have to increase these taxes, but companeros, this is work that

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involves everyone's effort. When I say everyone, I am not saying it as an overall slogan. I want to note that taxes on self-employed workers — I am not talking about the progressive taxes — have been minimal as established by the law. These taxes may be increased at the discretion of each one of the municipalities in this country, depending on what they believe is most appropriate based on the income of these workers. We have the duty of revising those fixed tax rates, which we can change today based on those incomes.

In keeping with the policy of self-employment, we must take the steps we have not yet taken with the necessary speed. We also have to adopt measures to punish the illegal activities carried out by self-employed workers and by all those who violate this country's tax laws. I must note that we have Decree 186, which has to do with the violations of the laws on self-employment. I believe it is not sufficiently applied. Yesterday we had the opportunity to review these problems. I believe we also have the possibility of revising Decree 149 against illegal enrichment. We must apply the law with the necessary strength in those cases that constitute a flagrant violation of the policies for obtaining income through legal means.

We said when this process began against the so-called profiteers that it was not a campaign, but a permanent policy. We must apply it as often as necessary. If a profiteer reappears, we must once again apply the policy. The decree is currently in effect.

We have also made changes to our criminal code, which included in July 1994 a chapter on crimes against the public treasury. The nonpayment of taxes is punishable with sentences of between five and eight years in prison. That was approved. I, therefore, believe the instruments are present. We can continue, and we will continue to work to collect these taxes, but I believe we must adopt a more consistent policy with the laws we already have. We must also bear in mind the legitimate concerns some companeros have explained here regarding the concentration of wealth, which we cannot tolerate because it is not based on hard work but based on people taking advantage of the imbalances which our economy has at this time. That is what I wanted to say.

### ANPP President Addresses Meeting

*PA2812121795 Havana Tele Rebelde Network in Spanish 0238 GMT 27 Dec 95*

[Speech by Ricardo Alarcon de Quesada, president of the Cuban National Assembly of the People's Government, ANPP, at the first meeting of the sixth regular session at the Conventions Palace in Havana on 26 December — recorded]

[FBIS Translated Text] Companeros, I would like to make a few comments now that we have listened to all the persons that asked to address this meeting. Later, we will ask Economy and Planning Minister Jose Luis Rodriguez, and Finances and Prices Minister Manuel Millares to discuss the different remarks made during this debate.

First of all, I would like to talk about a topic that was addressed by the first two speakers and subsequently, by other companeros: Taxes. I believe that above all, we must say that this topic has such a worldwide validity that any foreign visitor would be surprised by some of the concerns or views sometimes voiced by people here in this regard. These concerns or views about taxes are certainly linked to a lack of habit; the previous period [periodo de precedente]; and the fact that a practice that is followed all over the world is not always sufficiently understood in Cuba. I have my doubts about what is said worldwide on the unpopularity of taxes. I believe that the truth behind all this is that many people worldwide [words indistinct] reasons, negative views on the way taxes are collected in [words indistinct] pay their contributions to the state.

We live in a country in which we consider it natural and normal — we are accustomed to it — to [words indistinct] collective responsibility, and that it is society's responsibility to provide educational and health services, social assistance, benefits [words indistinct], basic foods, and other services to the population. Virtually, no other country has upheld the belief that society is responsible for meeting these needs. Most people in this country, hundreds of millions of people on this planet pay [words indistinct], getting absolutely nothing in exchange. Logically, it is difficult to convince [words indistinct] of a tax system. The wealthy, the wealthiest people in the capitalist societies do pay a certain amount of taxes. However, since they also exert a significant influence on the media [words indistinct], (?they have helped spread) the idea that there is unwillingness, opposition, and discontent regarding the payment of taxes.

[Words indistinct], the mission, the duty, the well-being of the entire population. It is not necessary to make any effort to convince [word indistinct] because what we are currently doing is sufficient proof. Five years into the special period and amid tremendous economic difficulties, the ANPP has again approved a budget that continues to uphold basic social services for the population, and that has even increased the amount of resources that will be allocated to some of these basic services. We have continued on this path in spite of

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the crisis, the tightened blockade, and the economic war against Cuba. In addition, we were able to launch our economic recovery program. I do not know of any other country on this planet in which the administrative authorities have been capable of submitting such a proposal to their parliaments.

In the wealthiest country on this planet, in the country that imposes the greatest blockades, which — as it was said — lies closest to us, congressional activities have come to a halt without having even decided what will be the budget for 1996. What has caused this deadlock in the U.S. Congress? The disagreement among all of the parties involved regarding how much they will cut the resources destined for the population's basic social services.

The most aggressive capitalists, those who are most indifferent to the social problems, expect cuts to reach — I do not remember the exact figure — $270 billion, whereas the most liberal ones are only seeking cuts of $60 billion. Where does the people's interest lie? Where are the aspirations of the masses, which they also have, regarding education, health, and all the other basic needs? Where can they be found? Nowhere. Since they cannot agree on how much they will reduce government spending for social programs, they have been unable to approve their budget.

Meanwhile, we are closing 1995 with our economic and social plan for 1996 and a budget that is designed to continue with the process of financial cleansing; that reflects the progress we have made through our efforts and sacrifices in 1995; and that guarantees our society its universal and free educational and health system. Our budget does not disown anyone and provides a system of social protection [word indistinct] for hundreds of millions of people on this planet. This is an additional and fundamental reason [words indistinct] from the report presented by Jose Luis and which has been discussed by several officials: The importance, the sacred nature of [words indistinct]. The contribution made by the citizens — the financial contribution — and the fulfillment of their financial commitment are being made in a society that is not familiar with corruption or the practices that are currently deteriorating many societies on this planet.

Early next year, there will be a special international conference in our continent to address this issue of corruption. It is such an important issue, certain governments call it their number one priority. They want to fight administrative corruption, embezzlement, and harmful practices that, fortunately, are not known in our society and that will never be tolerated here anyway. There is another basic reason, of which we must be well aware. Cubans' duty to work, to consciously devote themselves to make creative efforts and the obligation of all citizens to abide by the laws and the regulations that are implemented are indispensable, because this country, only this country is making these efforts in the midst of an economic war, in the midst of the opposition and antagonism of the world's most powerful nation, to say it in tangible and eloquent terms. There must be no doubts on the nature and objective of this effort our enemies are making regarding our efforts, our revolution. As you all know, they are used to talking about an economic embargo; they had rather use the term embargo, instead of blockade, in their public propaganda, because it sounds less aggressive, because it sounds softer. Of course, the policies they implement constitute a blockade according to the U.S. legal definitions themselves.

However, companero Fidel, more than once, has said that actually it is not an embargo or a blockade; it is an economic war. It is interesting to note that this definition is not given by companero Fidel alone; it is the definition of the Yankees themselves; it is the definition they have always used since the beginning of their [words indistinct] the Cuban revolution. I am going to show you a document that was secret until not long ago; it has already been declassified. It is a U.S. document dated as early as 24 June 1959. I repeat: 24 June 1959. It is a report drafted by then U.S. Secretary of State Christian Herter for President Eisenhower. In the report, he referred to a meeting he had just held with a group representing former large estate owners in Cuba, the landowners whose properties had been nationalized and had been adversely affected by the Agrarian Reform Law the revolution had enacted in May of that year. Remember we are talking about June 1959.

I am going to read to you a short paragraph of the report the secretary of state sent to his president. It deals with a proposal they discussed that afternoon with the landowners. It states the following: The best [words indistinct] the necessary result would be the economic pressure. This should not be difficult given Cuba's strong dependency on sugar exports, in general, and its special status in the U.S. sugar market, in particular. If Cuba was deprived of its sugar quota [words indistinct] rapidly and an abrupt decline, which would cause widespread unemployment. Large numbers of people would be thrown into unemployment and would starve. And later, we add that this would be the end of the Cuban Revolution.

Someone said that five years ago, they announced our upcoming demise, namely the end of the revolution. But in reality, they have announced this since 1959. But look at what was the technique; look at the objective: To starve large numbers of Cubans.

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Secretary of State Herter, in the report he sent to President Eisenhower, stated that doing this would be, and I quote, to carry out an economic war under peace conditions, unquote. In other words, what companero Fidel has said more than once when describing what the blockade really is, what they defined when they first thought about unleashing that policy: An economic war. Of course, that war went way beyond eliminating our sugar quota. They first eliminated the sugar quota, then they banned trade between Cuba and the United States, and finally for many years they have tried to prevent anyone else from trading with Cuba and to extend the same restrictions elsewhere. They have persecuted businesses; they have exerted pressure on countries, governments, individuals. In other words, that is a war of large proportion, way beyond what Mr. Herter had conceived in 1959.

Why did they unleash a war? Was it because we had established special ties with the Soviet Union? By June 1959, we had not even reestablished relations with that country. Was it because we had not practiced an internationalism as we would later do gloriously in Africa? Of course not. Was it because we had announced the objective of developing a socialist revolution in Cuba? No. The only reason why they originally decided to engage in an economic war that would lead the Cuban people to starvation and thus end the revolution was because the revolution had started doing justice, because the revolution had expropriated the large estates, because it had handed the land to peasants, because the first major revolutionary idea in history had been adopted. This reason was enough for them to propose to starve and destroy these people, and to impose what they themselves rightfully called an economic war. That war continues. Who does not have a doubt that this war continues, that it continues for the same reasons and objectives.

On this occasion, I will talk about the Helms-Burton bill. Everybody knows this is what it is proposing, to ebb the revolution's justice works, to return the farms to the large estate owners, to return the factories to the former owners, to return the houses to the alleged former owners, and others.

Very recently, an individual who claims he is the president of the Exiled Settlers Association and president of the Cattlemen Association published an article entitled The Upcoming Cuban Sugarcane Harvest. This article concludes as follows: I have no doubt that when the landowner returns to his sugar mill, when the settler returns to his settlement, and when the worker returns to his post, we will bear witness to the miracle of a major sugarcane harvest [words indistinct] the landowner, to his sugar mill; the settler, to his settlement; the worker, to his post. Imagine what is the post that corresponds to a worker [words indistinct] with the mind of such an individual [words indistinct] in other statements [passage indistinct] speaking over Miami radios, among other matters [words indistinct] recalled [passage indistinct] dictator Batista, we had to flee from our country, recalled those years of order, calmness, organization in which the land owner was in the sugar mill, the settler, in his settlement; and the worker, in his post, which was the post of unemployment, the main road, misery, and others. What we have today, as we did in 1959, is a hard, difficult, and complicated battle, simply because it is a battle in which the world's first power is confronting us since it wants to do away with the legal works we are doing in this country.

What do we do then? Are all the efforts, all the sacrifices, all the determination we have today, as we did yesterday, to win this battle not justified? Would the alternative, the only possible alternative, that of having no special period in its worst phase, justify it? It would be like returning to the past, returning to the infernal period in which workers were in the posts the landowners believed were reserved to them by the grace of God. I believe that we have to do everything that is necessary, everything that is necessary to continue with a process, the certainty of which and the fairness of which have been proven. We have to make everything necessary to continue with this process of economic recovery while keeping the ideals of social justice and sensibility.

In other words, we have to continue to make the sacrifices we have to make to face this formidable adversary in the terrible war it is imposing on us to adjust our economy to the changes that have taken place in the world. And we have to do so without neglecting socialism, without neglecting our principles, but rather by developing them in a creative fashion to show to the world that it is possible. We have already shown it is possible, and next year, we have yet to show much more. We have an ability to resist, to create, to continue to move forward. In other words, we could slightly amend the reference this [word indistinct], cattleman, and landowner made and say that we, the workers, in our posts... [pauses] the thing is that the workers' posts are actually at the sugar mills, the settlements, facing society. We are not outcasts as those who want to impose slavery again want us to be. Insofar as all workers assume their posts' responsibility, insofar as we all together accept our duties not only to be more efficient, but also to organize, from the foundations, all that is necessary to control and supervise our budget and to implement the financial measures we have to continue to implement.

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Workers [words indistinct] in a socialist society [words indistinct]. We will, of course, witness the miracle of a great Cuban sugarcane harvest and we will witness — not only witness but play the leading role in — many other miracles. That is the challenge we have before us at this time.

As for taxes, I believe those who must consider this as their own interest, as a class priority, and as an interest, the guarantee of which must be demanded, are the workers themselves. In this society, taxes do work; taxes are in fact applied with a sense of redistribution of the national income. To guarantee that everyone contribute what he must contribute is a strategic, vital interest of the millions of workers, who heroically, day by day, are also involved in this sacrifice and determination as well as in this in-depth, life-or-death dedication to increasing production.

That is why I believe we will be commemorating fundamental dates in our history next year. We have two dates, which I believe must serve to inspire, to encourage a national movement of workers and people in order to guarantee the fulfillment of this plan and to guarantee and attain the goals we are seeking with this budget. We have the 17th Congress of our Cuban Workers Federation, which will generate, as we all know, a wide process of discussion in all workers' organizations. This congress must serve to work for what thousands have been asking for: Efficiency at the workplace, at the workshop, and at the institution. It must also serve — in the framework of the discussions in this congress — to ensure the conscientious mobilization of workers in the fulfillment of each worker's duty in order to save this plan. It is also the year of the 20th anniversary of the constitution of the people's government's institutions. I believe all deputies and all delegates at all levels must reflect, must participate, and must make an effort, starting with the rank and file because it is an essential duty, it is an essential task we all have.

By doing this, all of us, companeros and companeras, will show the old landowners, the former exploiters, those who dream about ending this revolution, that they must continue dreaming forever because we will be witnessing a miracle. We have done a miracle and we will be capable of multiplying our miracles.

**Matanzas Thermoelectric Plant Back In Operation**

*PA2512144995 Havana Radio Rebelde Network in Spanish 1255 GMT 20 Dec 95*

[Report by Jesus Diaz Loyola; from the "Doing Radio" newscast]

[FBIS Translated Text] After 48 hours of uninterrupted maintenance work, the Antonio Guiteras Thermoelectric Plant in Matanzas was reincorporated into the national electric system last night. This plant, the country's largest with 330 megawatts of generating power, was switched into the system at 1945, right in the middle of peak demand.

On Monday and Tuesday, teams of the National Enterprise for Thermoelectric Plant Maintenance repaired leaks in various valves, including a damaged water temperature valve in the high-pressure bypass and high-temperature vapor regulators that had been causing water leaks and temperature drops, all of which caused loss of energy. The cold (?baskets) of the generator air heaters were checked also, and a hydraulic coupling and other minor deficiencies and leaks were repaired, all of which had been impossible to repair while the system was in operation.

The Matanzas thermoelectric plant was switched fully into the national electric system last night after it had completed its time between checkups of 2,020,000 megawatt-hour, nearly 25 percent of all the electric energy generated in the country.

**Revolutionary Police: New Agents Assigned to Havana**

*PA2812014795 Havana PRENSA LATINA in Spanish 1841 GMT 24 Dec 95*

[FBIS Translated Text] Havana, 24 Dec (PL) — The National Revolutionary Police (PNR) today announced that more than 608 new agents, trained in public security, criminology, self-defense, crime fighting tactics, and other disciplines, are being assigned to Havana.

An official communique states that the agents are the most recent graduates from the PNR's basic school. The document underscores the group's preparation, and that the new agents are endowed with well-taught professional ethics.

The PNR's announcement also points out that the new police agents will work in complex social and economic settings when carrying out duties such as the fight against crime and behaviors that break the rules of social coexistence.

In that respect, the communique adds that of special importance is the fight against traffic-related crimes,

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which for many reasons is becoming commonplace in Havana, including crimes such as the altering of car and motorcycle registries (motors, bodywork, license plates).

The communique states that these crimes disguise many cases of illegal auto sales and auto theft.

Additionally, it warns that the PNR forces and, in particular, the traffic section work to impart systematic road discipline and order.

**Officials Announce Personal Insurance for 1996**

*PA2812033395 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 23 Dec 95*

[From the "NTV" newscast]

[FBIS Translated Text] A report indicates that 1996 will bring more development for the insurance sector in Cuba, in areas such as personal insurance. Cuban insurance enterprise officials announced that insurance will be expanded in Cuba during the first quarter of 1996.

[Begin unidentified speaker recording] These are life insurance, joint life insurance, student insurance, accident insurance, retirement insurance, and also home owner's insurance. [end recording]

Automobile and agriculture insurance have existed in Cuba for almost two decades, and insurance enterprises' profits have quadrupled in 1995. Currently, 98 percent of cooperatives and 60 percent of individual farmers are insured. In addition, Ramon Martinez, director of the international insurance enterprise, stated that Cuban insurance is a coherent addition to the ongoing economic transformations in Cuba.

**Lage Lauds Province's Agricultural Record**

*PA2812123295 Havana Radio Rebelde Network in Spanish 1255 GMT 25 Dec 95*

[From the "Doing Radio" program]

[FBIS Translated Text] After presenting a banner to Ciego de Avila Province for having reached the historic record of 3.1 million quintals of tubers and vegetables, Carlos Lage, vice president of the Council of State, politburo member and executive secretary of the Council of Ministers, made the following statements to Radio Rebelde.

[Begin recording] [Lage] I think this is very important. This is the first province to produce more tubers and vegetables than were [word indistinct]. This is very important because it reflects the economy's recovery process. It is most important because it has been achieved with less resources. As it was highlighted during the ceremony, this has occurred when only 20 percent of the fertilizers, 25 percent of the chemical products, 70 percent of the fuel, and 60 percent of the machinery were available. In a word, with fewer resources more [word indistinct]. This proves it is possible. It also proves that even with a lack of resources, if we save and take care of our resources, avoid losses and deterioration, and if we optimize their use we can achieve a higher degree of utilization [words indistinct] we could have more resources, more than in 1994 and 1993. No doubt, in 1996 we will have a few more resources. We must maintain this habit of saving. We must maintain this habit — that we have quickly learned — and learn how to save even more. However, it is very significant for this province and for Cuba. These results have been reached by this province, notwithstanding its material resources situation. It shows us the efforts that must be made and what [words indistinct].

[Unidentified reporter] Is there any possibility of another province doing the same?

[Lage] It does not seem likely. It seems that Ciego de Avila Province is the only one this year. There are possibilities that next year there will be many more.

[Unidentified reporter] In general, what is your view of the province?

[Lage] Well, in four hours it is very difficult to have an opinion of the province. In any case, I can say that I have toured this agricultural area and the city. We have seen several markets, the sale of products, and we have spoken with the people. No doubt that this result — which we are rewarding here today — can also be valued because it has come to increase the regulated distribution among [words indistinct] and that which [words indistinct]. There is more variety available in the markets. This is not so regarding prices, however, there is a tendency to lower prices. Today, we compare prices of different products — at the markets — with the prices one year ago or with the prices before the farmers markets opened and they have dropped significantly, more here than in other provinces. [end recording]

Finally, in his statements to the press, Carlos Lage recognized that this historic record — recently achieved by Ciego de Avila Province — in the production of tubers and vegetables is an important step in the province's goal of hosting Cuba's main ceremony honoring the 26 July anniversary next year.

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which for many reasons is becoming commonplace in Havana, including crimes such as the altering of car and motorcycle registries (motors, bodywork, license plates).

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[From the "NTV" newscast]

[FBIS Translated Text] A report indicates that 1996 will bring more development for the insurance sector in Cuba, in areas such as personal insurance. Cuban insurance enterprise officials announced that insurance will be expanded in Cuba during the first quarter of 1996.

[Begin unidentified speaker recording] These are life insurance, joint life insurance, student insurance, accident insurance, retirement insurance, and also home owner's insurance. [end recording]

Automobile and agriculture insurance have existed in Cuba for almost two decades, and insurance enterprises' profits have quadrupled in 1995. Currently, 98 percent of cooperatives and 60 percent of individual farmers are insured. In addition, Ramon Martinez, director of the international insurance enterprise, stated that Cuban insurance is a coherent addition to the ongoing economic transformations in Cuba.

**Lage Lauds Province's Agricultural Record**

*PA2812123295 Havana Radio Rebelde Network in Spanish 1255 GMT 25 Dec 95*

[From the "Doing Radio" program]

[FBIS Translated Text] After presenting a banner to Ciego de Avila Province for having reached the historic record of 3.1 million quintals of tubers and vegetables, Carlos Lage, vice president of the Council of State, politburo member and executive secretary of the Council of Ministers, made the following statements to Radio Rebelde.

[Begin recording] [Lage] I think this is very important. This is the first province to produce more tubers and vegetables than were [word indistinct]. This is very important because it reflects the economy's recovery process. It is most important because it has been achieved with less resources. As it was highlighted during the ceremony, this has occurred when only 20 percent of the fertilizers, 25 percent of the chemical products, 70 percent of the fuel, and 60 percent of the machinery were available. In a word, with fewer resources more [word indistinct]. This proves it is possible. It also proves that even with a lack of resources, if we save and take care of our resources, avoid losses and deterioration, and if we optimize their use we can achieve a higher degree of utilization [words indistinct] we could have more resources, more than in 1994 and 1993. No doubt, in 1996 we will have a few more resources. We must maintain this habit of saving. We must maintain this habit — that we have quickly learned — and learn how to save even more. However, it is very significant for this province and for Cuba. These results have been reached by this province, notwithstanding its material resources situation. It shows us the efforts that must be made and what [words indistinct].

[Unidentified reporter] Is there any possibility of another province doing the same?

[Lage] It does not seem likely. It seems that Ciego de Avila Province is the only one this year. There are possibilities that next year there will be many more.

[Unidentified reporter] In general, what is your view of the province?

[Lage] Well, in four hours it is very difficult to have an opinion of the province. In any case, I can say that I have toured this agricultural area and the city. We have seen several markets, the sale of products, and we have spoken with the people. No doubt that this result — which we are rewarding here today — can also be valued because it has come to increase the regulated distribution among [words indistinct] and that which [words indistinct]. There is more variety available in the markets. This is not so regarding prices, however, there is a tendency to lower prices. Today, we compare prices of different products — at the markets — with the prices one year ago or with the prices before the farmers markets opened and they have dropped significantly, more here than in other provinces. [end recording]

Finally, in his statements to the press, Carlos Lage recognized that this historic record — recently achieved by Ciego de Avila Province — in the production of tubers and vegetables is an important step in the province's goal of hosting Cuba's main ceremony honoring the 26 July anniversary next year.

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## Haiti

### Finance Commission President: Budget 'Incomplete'

*PA2912003695 Port-au-Prince Signal FM Radio in Creole 1230 GMT 27 Dec 95*

[Report by Yvener Millien from the "0730 Appointment Newscast"]

[FBIS Translated Excerpt] The national budget is at an impasse at the Chamber of Deputies.

The president of the Finance Commission, Monprevil Saint-Juste, said on 26 December the national budget is incomplete. Thus, the budget will not be voted on as long as the finance minister does not submit the remaining documents. Monprevil cited among the missing documents the list of the 17 fiscal laws, the report on the general accounts for last year—that is, fiscal year 1994-1995—the document on the analysis of the economic opening, and so on.

The commission held a news conference the morning of 26 December. Our colleague, Yvener Millien, reports.

[Millien] The Finance and Economy Ministry must complete the review of the documents before we vote on the national budget, said Finance Commission President Monprevil Saint-Juste. The Finance Commission president said in a news conference on 26 December that the national budget is incomplete. [passage omitted]

Deputy Saint-Juste asked the Finance and Economy Ministry to clearly define the objectives of the national budget and to clearly explain from where the funds to finance the expenses will come.

Alix Fils-Aime, a member of the Budget Commission, has said he is concerned about the national budget. Among other points, Deputy Fils-Aime is concerned about not seeing decentralization in the budget. According to the deputy, it does not emphasize the national production or [words indistinct] to favor investments. Deputy Fils-Aime adds that he sees no strategy aimed at strengthening the cooperative movement:

[Begin Fils-Aime recording, in progress] ...is that our worries are based mainly on the issue of decentralization. We are not seeing any consistency. We do not see in the budget the decentralization as announced in the general policy. We do not see how it will be executed in the budget. We do not see an emphasis on national production.

If we take problems we call structural problems in the budget, we see, for instance, that the National Penitentiary Administration, Apena, has a budget much higher than that for agriculture, for example, or the Public Works Ministry. I believe 158.... [pauses] an amount of 151 million gourdes has been allotted to Apena, whereas the amount allotted for agriculture is 119 million gourdes. Apena is but one facet of general police management.

We do not see any strategy for investments from our brothers and sisters in the 10th Department. How can we have a policy, a strategy with a view to allowing us to utilize the resources of the 10th Department so we do not return to the financial institutions that have hard conditions as we know? [sentence as heard] [passage omitted] [end recording]

[Millien] We remind you that the national budget amounts to 11.4 billion gourdes, 64 percent of which depends on foreign aid, and 94 percent of the investment budget depends on foreign aid as well.

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**President Remarks on Serving Country, Society**

*PA2912031395 Mexico City NOTIMEX in Spanish 2112 GMT 22 Dec 95*

[FBIS Translated Text] Mexicali, 22 Dec (Notimex) — President Ernesto Zedillo today said that nothing may stand in the way to serve Mexico and [word indistinct] high priority to reject any type of confusion or speculation.

"The most important factor in every public employee, representative of the masses or leader is always to be aware of his duty, which is to serve society, honor his responsibility and the trust of the people", Zedillo noted.

On his second day of visit to Baja California, Zedillo said that there should be democratic maturity at all government levels in order to maintain the new spirit to face the challenges and demands of Mexicans.

During the meeting for the development of Baja California, Zedillo noted that all public employees must comply with their duties at full capacity and make all efforts in behalf of the whole population.

Zedillo stressed the beginning of respectful, coordinated, and efficient work between the federal and state governments and Baja California municipal authorities.

"We are beginning a new style of government work to ensure that all of us comply with the responsibility of developing Baja California", Zedillo said.

Zedillo was accompanied by National Action Party (PAN) Governor Hector Teran Teran; the Commerce and Industrial Development; Social Development; Communications and Transport; and Agrarian Reform secretaries.

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## El Salvador

### Electronic System To Reduce Export Processing Time

*PA2912013395 San Salvador EL DIARIO DE HOY in Spanish 20 Dec 95 p 22*

[Report by Ingrid Rodas]

[FBIS Translated Text] The Electronic Export System [Sistema Electronico de Exportaciones] (Siex) will allow exporters to perform their export procedures faster, which will increase their competitiveness in the international market.

Roberto Orellana Milla, Central Reserve Bank of El Salvador [BCR] president, said yesterday the inauguration of Siex will reduce to nil the time to process these procedures and will keep exporters constantly informed. "This is a contribution by the BCR to facilitate the activities of the exporting sector. The Siex is the first liaison project in the country and in Central America and places us at the same level as more advanced countries," he said.

The Siex is an electronic link among exporters and the Export Procedures Center [Centro de Tramites de Exportacion, Centrex] and allows exporters to send information on their operations and to obtain the corresponding authorizations at their own workplaces.

Among the main objectives of the system are to facilitate, simplify, and expedite procedures, to reduce the time needed to complete them, and to authorize the documents.

"Likewise, the exporter will be able to obtain updated and timely information, in addition to being more competitive in international trade," Orellana said, adding that "the Siex is available to all exporters."

Those businessmen who handle large export volumes will be able to link up to the system from their own companies, while medium- and small-scale businessmen will be able to do the same through their associations or other institutions that will offer the means to take advantage of the system's services.

The Siex pilot plan has been expanded so far to such companies operating in the country as Bayer of El Salvador, La Constancia, and Hilasal Industries, among others.

Orellana said: "We have worked on modernizing the BCR following the principle of constantly improving customer services. It has been equipped with state of the art technology."

Uninterrupted attention to exporters 24 hours a day, 365 days a year is among the benefits and advantages of the system.

The Siex offers businessmen the flexibility of registering the data that will allow them to increase their companies' production, in addition to reducing production costs. Likewise, exporters will be able to obtain information on their own operations and will have access to advice on the use and management of the system.

The BCR president said that "in order for the country to succeed in joining the process of globalization, it is necessary to reduce its production costs so as to pursue what is fundamental in the privatization and modernization of the public sector, which must facilitate private activities by eliminating bureaucracy."

The Siex is under the supervision of the Centrex, which is a BCR department in charge of effectively centralizing and expediting export procedures, as well as reducing the time needed to authorize documents to three hours. Centrex also provides export statistics by product, an exporters' guide, a mechanization of the Central American customs form, and advice on export procedures.

#### Siex Categories

The Siex's automatic authorization works as follows: The exporter requests his export registration and Central American customs forms, fills in the shipment's data, and sends them via modem to the BCR network. Once at the BCR, the data is sent to the Centrex, where the documents are automatically authorized. Once authorized, the company again receives the documents.

The Siex's semiautomatic authorization works when the exporters require certificates of sanitation, certificates of origin, and agricultural, chemical, and veterinarian visas or textile visas. The company sends the documents to the BCR. Within 12 business days, the BCR processes the documents and returns them to the companies via computer.

Through the Siex, businessmen will be able to consult the balances of textile and nontextile quotas, as well as the exporters' individual accounts.

This system does not charge an additional fee to exporters for the service of authorizing the documents.

### Report Outlines 1995 Funds for Peace Agreements

*PA2812145595 San Salvador EL DIARIO DE HOY in Spanish 21 Dec 95 p 16*

[FBIS Translated Text] The IMF and the government had planned transfers totalling 740.2 million colones for the peace agreements for the January-October 1995 period. So far, the transfers corresponding to these agreements amount to 205 million colones, which is 27 percent of the planned total. The total amount

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of funds scheduled from January to October was to come from 118 million colones worth of transfers and 622.2 million colones worth of capital transfers. Of the planned current transfers until late October, nothing has been executed yet. Of the planned capital transfers, approximately 33 percent has been executed.

The slow progress in the compliance with the peace agreements is significant, considering that the increase in the VAT [value-added tax], which has been in effect since July, was done expecting to comply with these agreements. This situation is evident even though the VAT revenues increased by more than 40 percent, as compared to the VAT revenues collected in the same period in 1994. They amount to 3.788 billion colones, as compared to the 2.644 billion colones collected in 1994. However, even though tax revenues have been adequately executed regarding what was planned, other revenues failed to show similar increases.

In spending matters, the execution of capital spending — namely, the real investments the government makes — stands out. Approximately 72 percent of planned spending had been executed by October.

As mentioned earlier, most of the unexecuted spending correspond to those who were planned to comply with the peace agreements. As for other expenses, the increase in the transfers to the private sector, regarding what was planned, stands out. Of the 548 million colones planned until October, 883 million, which is 61-percent more than planned, have been executed.

In addition, regarding spending, there is a larger spending in the process to grant net loans. A negative balance of 27 million colones had been planned, but 134 million colones have actually been granted. The increase in this type of spending contributes to make the resources not be allocated to the programs to which the authorities had originally allocated.

Of the planned capital revenues, for instance, only 17 percent has been executed. Of the donations planned to be received, barely more than half (56 percent) were received during this period. However, of the total amount of revenues estimated by the Finance Ministry, 98.6 percent has been collected. In other words, the reduction in the other revenues has failed to dwindle significantly the planned collection goals.

**Low Level of Execution**

Colproce [Association of Economic Science Professionals] economists have recognized the effort made to increase revenues collection. This is a significant feat, considering that an increase in state resources should occur along with an improvement in the execution of public spending. However, the economists themselves agreed to note that "there is great deal to be done" in public spending matters.

Current spending continues to absorb 83.6 percent of tax revenues, the analysts affirmed, adding that, for instance, the payment of wages and salaries represented 91.5 percent of the VAT revenues collected until October.

**Fiscal Surplus**

There are other categories in which the government's execution plan must be stressed. The balance in the current account of the nation's budget recorded a surplus larger than what was planned. However, a significant part of these savings was achieved through a reduction in the payments of debt interests, as had been agreed on with the IMF.

Of the 1.025 billion colones planned to pay debt interests, only 792 million, which is approximately 30-percent less than planned, have been spent. This reduction in spending could stem from any of these three situations: a reorganization in the payment of debt interests, a negotiation for the reduction in the amount of interests, or a noncompliance with the payments. The first two situations seem reasonable.

In addition, part of the savings has been achieved by reducing spending on goods and services. Of a planned total of 1.079 billion colones, this spending has been reduced to 926 million colones.

Despite the achievements these savings could signify, the interesting thing is to compare them to the low level of execution in capital spending. Even if the Finance Ministry is making an effort to increase fiscal collections, the resources that have been collected have not necessarily translated into more works benefiting Salvadorans.

## Guatemala

**Election Candidates Agree on Need To Conclude Peace**

*PA2912031795 Guatemala City Televisiete Television in Spanish 1900 GMT 22 Dec 95*

[From the "Channel Seven News" newscast]

[FBIS Translated Text] The two candidates who will vie for the Presidency of the Republic in the decisive runoff election on 7 January have agreed on the need to successfully conclude the peace process with the Guatemalan insurgency.

Regardless of who wins the election, the next president will work in 1996 to achieve the historical merit of

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concluding an armed conflict that has left more than 75,000 dead, thousands of orphans, and millions in economic losses over 35 years.

The signing of a peace accord in the first months of next year is the declared objective of both Alvaro Arzu of the National Vanguard Party, PAN, and Alfonso Portillo of the Guatemalan Republican Front, FRG.

[Guatemala City PRENSA LIBRE in Spanish on 22 December reports in a similar 250-word item: "The bishops who constitute the Bishops Conference of Guatemala, CEG, asked the government and the insurgency yesterday to reach a temporary cease-fire between 24 December 1995 and 10 February 1995 so as to allow Guatemalans to cast their votes in the runoff election and so the visit by His Holiness Pope John Paul II will be conducted amid peace and tranquility."]

**URNG Commander Denies Noncompliance of Cease-Fire**

*PA2912031195 Guatemala City PRENSA LIBRE in Spanish 28 Dec 95 p 4*

[FBIS Translated Text] URNG [Guatemalan National Revolutionary Unity] Commander Miguel Angel Sandoval has refuted the statements made by Colonel Guillermo Caal Davila, head of the Information and Press Department of the Army (DIDE), accusing the URNG of not complying with the cease-fire that has been ordered.

The military spokesman said at a news conference held at 1000: *The URNG attacked the military outpost in Santa Barbara, Playa Grande, on the 24th and established a checkpoint in Chajul on the 25th.*

According to Caal Davila, these actions proved that the URNG rank and file do not follow their leadership's guidelines and that the URNG is lying instead not to the government or the Army but, rather, to the Guatemalan people and the international community.

**URNG Has Not Violated the Truce**

During a telephone conversation in Mexico City yesterday, Sandoval rejected President Ramiro De Leon Carpio's statements, stressing that *the URNG has not violated the unilateral truce that has been ordered for 24 December 1995 through 8 January 1996.*

Sandoval said: *It is worrisome that the Guatemalan president is making false reports, because not a single one of our units has made any attacks since the truce was ordered.* Sandoval reiterated that De Leon Carpio *was manipulated by his presidential staff or by his military counselors.*

Sandoval said the URNG expects a *serious and constructive* attitude from the Guatemalan president *so that he does not continue acting as an instrument in the hands of military leaders,* whom Sandoval accused of refusing for a second time to order a cease-fire throughout the country.

Regarding the peace process, the URNG leader also rejected De Leon Carpio's statements that the talks *are at a standstill* because of the government's irresponsibleness. Sandoval said the government's intention to increase the value-added tax (VAT) from 7 to 10 percent as of 1 January 1996, a measure that will affect consumers, is another evidence of its irresponsibleness.

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## Argentina

### President Confirms Ministers, Secretaries of State

*PY2812225995 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1733 GMT 28 Dec 95*

[FBIS Translated Excerpt] Buenos Aires, 28 Dec (NA) — President Carlos Menem today confirmed all of his ministers and secretaries of state in their posts. He did this during the last meeting of the cabinet in 1995. He also thanked Congress for its support of the initiatives that were promoted by the executive branch, and the cabinet approved the program of public works that will be awarded during the first six months of 1996 within the framework of the five-year plan.

This was reported by Alberto Kohan, secretary general of the presidency, at the end of this morning's cabinet meeting that took place in the Caucus Room of Government House.

Asked about the probable presidential pardon for 91 "painted faces" military men and 22 members of the All for the Fatherland Movement (MTP), Kohan answered that the topic "was not discussed during the cabinet meeting."

Kohan also reiterated that in this respect "there is nothing for the time being and therefore we must respect what the president has said." [passage omitted]

### Interior Minister Discusses Domestic Issues

*PY2912021895 Buenos Aires LA PRENSA in Spanish 26 Dec 95 pp 2, 3*

["Exclusive" interview with Interior Minister Carlos Corach by Adriana Balaguer and Laura Termine; place and date not given]

[FBIS Translated Excerpt] [LA PRENSA] What is your opinion of the president's possible recourse — for the third time — to his prerogative of granting pardons?

[Corach] We have not yet come to a decision; I mean, President Carlos Menem has not yet reached a decision. This is an extremely personal act of the head of state.

[LA PRENSA] You have had access to the decrees and names of the military officers and civilians who would be pardoned, haven't you?

[Corach] That is not true.

[LA PRENSA] Why should the president grant a pardon to [Army Colonel] Mohamed Ali Seineldin [accused of leading a military uprising against the previous administration of President Raul Alfonsin] a second time [he was first pardoned on 7 October 1989] when he tried once again to rise up in revolt against democratic institutions after being pardoned?

[Corach] When Menem makes that political decision, the pertinent decree will give you the answer to your question when mentioning the reasons for such a decision. For the time being, there is a public debate on the pardon in question and all social strata and organizations have a right to voice their opinions. I, in my capacity as interior minister, am not going to express my views on something that has not yet been settled.

[LA PRENSA] When will it be decided?

[Corach] There is generally much speculation over possible pardons at this time of the year because the president made a similar decision at the end of the year on other occasions. Nevertheless, the announcement may be made soon, without delay, or never.

[LA PRENSA] Has the incumbent administration already assessed the political cost of granting a pardon?

[Corach] The head of state is not assessing the issue from that point of view.

[LA PRENSA] Changing the subject, what will happen if Congress does not approve the reform of the state this week?

[Corach] It will be approved. The radicals will discharge their role as opposition in a responsible manner and support what has to be supported.

[LA PRENSA] Some people contend that if the reform were not to be approved a new conflict within the cabinet would erupt between Economy Minister Domingo Cavallo and cabinet chief Eduardo Bauza.

[Corach] That is absolutely false. All ministers, including myself, have been working very hard so that Congress will enact the state reform.

[LA PRENSA] Do you think that the rows between Menem and Cavallo are over?

[Corach] Those rows never existed. There may have been different opinions, but the executive branch in Argentina is unipersonal. Ministers are the president's secretaries. The public should be concerned if cabinet ministers buttoned up their lips and acquiesced in everything the president said. It is a positive thing that government officials should say what they think.

[LA PRENSA] Still, what was leaked out was a power struggle.

[Corach] That is an anecdotal problem; there are no state secrets in the modern world. Journalists seek information and there are some officials who talk more than others.

[LA PRENSA] And the president is pressing for silence.

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[Corach] All government officials must proceed with great circumspection. [passage omitted]

[LA PRENSA] What benefits will the public draw from the state reform?

[Corach] The reform will allow us to redefine the issue of federalism, deepen administrative and executive decentralization through a hierarchy of municipal autonomies, and amend the laws regulating political parties to effect a "Copernican" revolution in the financing of politics. Prevention is better than cure, as the saying goes. It is of paramount importance to render the financing of politics transparent to prevent corruption scandals such as the ones that shook the Italian, French, Japanese, and German political systems. The fourth point is the amendment of electoral laws to eliminate, among other things, the straight ticket vote in parliamentary elections. [passage omitted]

[LA PRENSA] Has the Menem administration assessed the possibility of social disturbances occurring in some of the provinces where constant protests are being staged?

[Corach] Security and intelligence forces have not provided us with any report arguing that riots may break out in the provinces. The Menem administration is not going to sit impassively as violent disturbances occur fueled by labor conflicts. This notwithstanding, we will only intervene if the province facing a conflict so demands and if we do we try to preserve the lives of people and public and private property.

[LA PRENSA] Have the provinces come up to the federal government's expectations?

[Corach] All provinces, irrespective of the political party that rules them, made a major effort all throughout the year to suit their budgets to their revenues. They have all understood that federalism is useless unless each one of the provincial states has their financial house in order so as to enable it make its own decisions. [passage omitted]

**Opposition Party Publishes Study on Economic Situation**

*PY2812210995 Madrid EFE in Spanish*
*1348 GMT 26 Dec 95*

[FBIS Translated Text] Buenos Aires, 26 Dec (EFE) — According to a study disseminated today by the Radical Civic Union (UCR) — the main opposition force in Argentina — in 1996 the country's economy will grow by 2 percent while unemployment will remain high.

The UCR stressed that official economic plans do not anticipate the implementation of measures to fight unemployment, which is at a record high level, or contemplate to improve or increase the distribution of funds for social purposes.

In the study the UCR defends the need "to take strong measures" to create new jobs because nearly 2 million workers are unemployed, according to official figures.

The report also requests "priority public policies" to alleviate the situation of the poorest groups of the population, adding that the UCR will make alternative proposals on the subject.

The study says that government plans to reorganize the public administration will increase the problem of unemployment because more public workers will lose their jobs.

The study says that inflation, which during 1995 did not exceed 2.5 percent according to official forecasts, will be lower than the inflation in industrialized and stable countries.

Argentina will be able to obtain foreign loans for some $3.5 billion, which will insure a 2 percent increase of the GDP that this year dropped by 2.5 percent, the report added.

The UCR says that the economic growth will be based on a 10 percent increase in exports and 7 percent increase in investments that will leave the country's trade balance with a surplus of $2 billion by the end of 1996.

The government of Argentine President Carlos Menem anticipates that the GDP will grow by at least 5 percent, that is, double than the figures forecasted by most experts.

During 1995 the treasury had a monthly deficit of some $500 million. This deficit will drop with the GDP increase of 2 percent, the UCR study says.

The study adds that internal consumption will grow by 0.5 percent after recovering from the recession that affected the economy as a consequence of the repercussions of the financial crisis in Mexico and the end of 1994.

The study anticipates that there will be "a moderately favorable political climate for business, adding that this is in contrast with the internal conflicts that affected the Menem administration between July and October.

The study was written by experts and leaders of the UCR's "shadow cabinet," as the name of the group created by the party to issue alternative proposals to Menem government programs is called.

UCR President Rodolfo Terragno last week met with the 200 most powerful entrepreneurs in the country.

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He gave the entrepreneurs the study on Argentina's economic future.

**Editorial Views Mercosur-EU Agreement Prospects**

*PY2812204895 Buenos Aires CLARIN in Spanish 22 Dec 95 p 18*

[Editorial: "Mercosur-EU Agreement Prospects"]

[FBIS Translated Text] The agreement signed between Mercosur [Common Market of the South] and the EU, establishing a common economic space, paves the way for growth. This growth depends on the local efforts for improving the competitive level of enterprises.

According to the Interregional Cooperation Framework Agreement signed a few days ago in Madrid, the regional associations will establish a free trade zone within a 10-year period and will cooperate on issues such as customs organization, investments, intellectual property, quality, and technology, among other issues.

The agreement also will enhance the political and cultural ties between the two regions. Respect for democratic principles and human rights is among the key clauses of this agreement.

With regard to the economy, the agreement will foster the already significant trade and technological ties between Mercosur and the EU as well as European investments in Mercosur countries. The agreement also represents another headway toward economic liberalization and integration into a globalized economy as it does not intend to increase protectionism against third countries or associations.

With regard to Argentina, the headway toward interregional integration could contribute to enhance the process of EU market liberalization for agricultural products, which already has been contemplated in the agreements achieved at the GATT Uruguay Round. It could also facilitate gaining access to useful technologies, information, and experiences for the improvement of production and services.

Nevertheless, enterprises and farmers must be prepared in various fields to use the opportunities raised by the agreement. Not only tariff reductions, reducing goods prices, are required for increasing shares on the European market. It is also essential to have production and marketing networks capable of providing a qualified and diversified supply to meet a selective demand.

Therefore, it is essential to have public policies and private strategies to conform production to the requirements of the most dynamic and solvent demand and compete with the imports promoted by tariff reductions for the Interregional Agreement, or any other trade liberalization mechanism, to contribute to common development, without creating trade or financial imbalances.

## Bolivia

**'Sources' Detail Overhaul of Drug Enforcement Agency**

*PY2812203695 Cochabamba LOS TIEMPOS in Spanish 20 Dec 95 p A6*

[FBIS Translated Text] La Paz, 19 Dec — Sources close to the Government Ministry and the National Police General Command reported on 19 December that the government will command that the Armed Forces have a more active participation in drug enforcement operations.

The same sources further reported that the Special Antinarcotics Force (FELCN) will be appropriated an annual budget to the tune of $10 million and will change its name. Moreover, the government will foster an effective and real independence of the FELCN from political influences.

Now that a month has elapsed since the Commission charged with placing the FELCN under trusteeship released a report on the overhaul of the antinarcotics police, it was learned that the FELCN will once again come under the jurisdiction of the Presidency and that the National Council Against Drug Abuse and Illegal Drug Trafficking (Conalid) will no longer be the counternarcotics policymaking institution since it proved to be "inefficient" in the discharge of the duties that led to its creation.

LOS TIEMPOS also learned that a proposal was put forward to do without U.S. aid to Bolivia for the struggle against drug trafficking and to entrust the Treasury (TGN) with the task of providing financial support for the FELCN once it is reorganized.

The overhaul of the FELCN to be undertaken by the Ministry of Government seeks to streamline operational plans, programs, and actions on the economic, political, and social fronts.

It was also explained that in what pertains to the political area, another proposal contemplates the implementation of mechanisms geared to granting veritable autonomy to the FELCN, something which will entail the elimination of political parties' meddling — a hotbed of inefficiency and corruption.

The aforementioned sources indicated that in the economic area, it was suggested that the state should bear full responsibility for its share in the war against drugs by earmarking some $10 million for the FELCN annual budget so as to enable it to optimally do its work.

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In addition, it was reported that the current FELCN budget does not exceed 5 million bolivianos, which is an paltry and absurd amount compared with the financial resources that the United States allocates for supporting drug enforcement programs in Bolivia, namely $9 million.

The FELCN restructuring scheme moreover proposes a proportional increase of human resources to be done concurrently with the FELCN budget increase. This aspect, which was termed "social variable," was considered to be among the most important ones together with the economic one.

The same sources argued that the implementation of the recommendations in this area should be made side by side with a suitable program to grant professional and economic incentives. They pointed out that the government must pursue a policy defending national sovereignty in this area by phasing out international cooperation on the supply of logistic material like military uniforms and special antidrug bonuses for FELCN personnel.

In concluding, the sources noted that the FELCN overhaul will be instrumental in turning it into a wholly independent agency and, what is most important still, morally prepared to confront an international crime that has become a veritable threat for Bolivia's internal and external security.

**Editorial Views Plans for FELCN Reorganization**

*PY2812211495 Santa Cruz EL MUNDO in Spanish 18 Dec 95 p A5*

[Editorial: "FELCN Reorganization and Antinarcotics Struggle"]

[FBIS Translated Text] When the government intervened in the Special Antinarcotics Forces [FELCN], trustees said that the agency would be reorganized "because of serious shortcomings in the organization and because the government was concerned for the carelessness in the handling of the 'drug plane' case." A lot was said about this agency, which in the past few years had an important role in the antinarcotics struggle. The FELCN and Umopar [Mobile Police Units for Rural Areas] were involved in important and effective operations, giving the state victories in the unequal struggle against drug entrepreneurs who have financial, technological, and organizational means that are very superior to many large world organizations.

Among the plans to reorganize the FELCN the most notorious proposal included the "handing down of the command to Armed Forces or police retired generals." Trustees did not reveal other details about other things, which must be the most important subjects deserving very special attention because agency members, due to the tasks they perform, can "easily be tempted" to commit illegal enrichment. Their members, therefore, must have very high moral standards, be honest, and have a great sense of responsibility.

Drug traffickers are the most corrupt individuals and it is natural to think that their main weapon is corruption. We must not forget that politicians, judges, state officials, religious figures, congressmen, journalists, members of the judiciary, military men, policemen, and all kinds of people everywhere in the world have fallen in the dark world of drugs. This is very convenient to drug traffickers who seek, in all ways possible, to involve everyone in this business that is many centuries old and which is based on very well-organized criminal networks that stretch throughout the planet.

The FELCN has been intervened, but the intervention cannot and should not last longer. It is time, then, to go ahead with its entire reorganization, contracting capable personnel who are willing to accept regular controls of all types. Anyone chosen to direct the institution must have an impeccable record and, above all, must not have fortunes "obtained during the fulfillment of his duties." His personal assets should serve to measure the magnitude and quality of their honesty in their private and public life. We cannot accept the cases of military or police officers who retire from their institutions and suddenly appear forming large companies and with wealth of very doubtful origin.

The work of reorganizing the FELCN and making it go straight and clean will require a giant effort. We must go ahead, however, and reorganize the agency so that it might be seen as a guarantee in the struggle against drug trafficking, a problem that has become a heavy burden and gravely affects the country and its drug enforcement institutions, particularly due to the "drug plane" and other facts that still cannot be revealed because of carelessness, negligence, or simple political convenience.

## Brazil

**Senator Advocates Rapid Solution for Sivam Case**

*PY2912015695 Sao Paulo AGENCIA ESTADO in Portuguese 2149 GMT 28 Dec 95*

[By Christiane Samarco]

[FBIS Translated Text] Salvador, 28 Dec (AE) — Senator Carlos Antonio Magalhaes (PFL-BA) [Liberal Front Party-Bahia] fears that a delay in resolving the Sivam [Amazon Region Surveillance System] case might cause

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an institutional crisis. In a private conversation with PFL leaders, Magalhaes said that the case, which involves charges of irregularities in the contract for implementation of Sivam, is becoming an increasingly irritating factor for the Aeronautics Ministry, and that for this reason it should be resolved as soon as possible. In the opinions that he conveyed to the PFL leaders, Magalhaes blamed the president's delay in putting a full stop on the matter on international pressure.

"I myself told the president twice that the Sivam contract is morally untenable," the senator said to a small group of lawmakers. He admitted that the government is willing to strive for the contract with the U.S. company Raytheon, which this week was renewed for one more month. Magalhaes said he does not intend to address the issue with the president during the latter's stay in Salvador. In a brief meeting with journalists, the senator claimed that the president came to rest and that Sivam can wait for the reopening of Congress on 8 January.

After having lunch with the president at Alvorada Palace on 26 December, the PSDB [Brazilian Social Democracy Party] governors defended the Sivam project. Sen. Magalhaes however, believes that a conversation with the president will not make him change his mind. "I am more familiar with Sivam than the governors who were with him; the president will need more arguments to convince me," Magalhaes said. "If there is evidence that I am wrong, I can change my mind." He recalled that he is the president of the special Sivam commission and that, for this reason, he will do what the commission decides to do. Today, he said, the Senate majority is in favor of Sivam, but against the contract with Raytheon.

Antonio Carlos Magalhaes contended that the international difficulties caused by the cancellation of the loan granted by Eximbank — which will finance the project for Raytheon — should not condition the presidential decision. "French banks could even offer less advantageous conditions if the government chooses a French company for implementation of the Sivam project," he admitted. "Yet what is advantageous is not always morally justified," he claimed.

**Allied Governors Vow To Support Government, President**

*PY2812120895 Sao Paulo AGENCIA ESTADO in Portuguese 2158 GMT 26 Dec 95*

[Report by Claudia Carneiro, Isabel Braga, and Rosa Costa]

[FBIS Translated Text] Brasilia, 26 Dec (AE) — Sao Paulo Governor Mario Covas today advocated "more direct action" by the governors who support the federal government, in favor of President Fernando Henrique Cardoso. This idea was discussed during a lunch with the president at Alvorada Palace, which was attended by Rio de Janeiro Governor Marcello Alencar, Minas Gerais Governor Eduardo Azeredo, Ceara Governor Tasso Jereissati, and Rio Grande do Sul Governor Antonio Britto. Covas advocated a stronger government effort to disseminate positive news. He claimed: "The government does not need to defend itself, it need to attack." With the exception of Britto — who is a PMDB [Brazilian Democratic Movement Party] member — all the other governors were PSDB [Brazilian Social Democracy Party] members.

During his long four-hour meeting with the governors, Cardoso outlined the government views on the last events that affected Planalto Palace, particularly the pink folder case. The governors cautiously abstained from openly demanding dismissals or a cabinet reshuffle. However, they said the government should not protect anyone on behalf of the stability of its political base. Britto said: "The president knows those in the government must observe hierarchical loyalty and obedience. If this condition is not met, the president must rapidly order dismissals."

The governors made a self-criticism and admitted that they left President Cardoso isolated in the crises that hit the government over the past nine months. They agreed to more outspokenly defend the government, preventing the president from being in the center of the crisis. Covas said: "This should apply to ministers, deputies, and governors." He added: "If the government was not sufficiently defended, we are all to blame."

Minas Gerais Governor Eduardo Azeredo said: "The government several times served as a lightning arrester; we cannot leave everything in the president's hands."

Marcelo Allencar said: "We visited the president to offer a forefront position and a more open and outspoken participation in his political relations."

The governors said their position will reflect stronger support in times of crisis, and more active engagement in political strategies, dissemination of government actions, and coordination of state congressional blocs. Allencar said: "We will not leave the president isolated with his programs and his reforms." Mario Covas was one of the strongest advocates of a more aggressive policy for dissemination of government achievements. Crises have overshadowed the good results of the government of Fernando Henrique Cardoso. Covas said: "The government does not need to be defended, it needs to attack, it needs to publicize the things it has been doing."

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Covas minimized the crisis between Cardoso and its ally, the PFL [Liberal Front Party]. He said: "Like married couples, allies have divergencies. They end up discussing them, and this is the virtue of democratic governments." The Rio de Janeiro Governor did not agree with Mario Covas. Allencar said: "The PFL assumed an opposition position; it is a major ally but with a dubious political position." He said alliances are made on the basis of advantages, and do not last for ever, adding: "We are moving forward in the reforms, and this is what they (the PFL) want."

Despite the unanimous opinion that Cardoso is the best political coordinator for his government, the PSDB governors still advocated a division of work, so the congressional base can be more properly geared to Planalto Palace projects. Eduardo Azeredo once again advocated the designation of a coordinator. He said: "The government sometimes suffers unnecessarily. It would be good to have a bit more dialogue." Covas concluded: "A coordinator might help, even though Fernando Henrique is the best coordinator."

**Senator Proposes Accord on Patent Bill**

*PY2812114795 Sao Paulo GAZETA MERCANTIL in Portuguese 15 Dec 95 p A9*

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] The reports compiled by Senators Ney Suassuna (PMDB-PB) [Brazilian Democratic Movement Party - Paraiba] and Fernando Bezerra (PMDB-RN) [PMDB - Rio Grande do Norte] on the Patent Bill will be voted on at the Senate's plenary session on 8 January, when the congressional recess ends.

The government made this decision on 14 December. It will reduce the number of steps toward congressional approval of the bill because Bezerra's report will no longer be voted on at the Economic Affairs Committee (CAE). Suassuna said he is trying to convince the government and Bezerra to agree with him. During an interview with this newspaper, Suassuna said: "I will concede the five-year transition period in exchange for the withdrawal of the pipeline [preceding word in English] mechanism contemplated in Senator Bezerra's report."

Fearing to see Bezerra's report defeated at the CAE, Senator Elcio Alvares (Liberal Front Party - Espirito Santo), the government leader at the Senate, on the morning of 14 December asked that the voting be postponed to 19 December. He then changed his mind and postponed voting on the bill to January.

Bezerra's report — which includes the controversial pipeline mechanism (which recognizes patents already granted abroad to products still being developed in laboratories) — is favorable to the government and the U.S. pharmaceutical industry.

The first time his report was voted on at CAE in September, Bezerra received the majority of votes. On that occasion, the CAE approved the pipeline mechanism by 19 votes to five. The decision the government made on 14 December to postpone the vote was a tactical move because Bezerra might be defeated precisely over the pipeline mechanism.

Suassuna's report was unanimously approved by the Constitution and Justice Committee last week, but he rejects the mechanism, which he deems unconstitutional because it implies retroactivity. The Paraiba State senator believes one cannot resort to the protection of the achieved-right principle if said right has not been achieved under a previous law. The current law on industrial property, which has been enforced since the 1970's, does not grant patents on chemical, pharmaceutical products, or food.

Suassuna is supported by most of the CAE senators. He has been informed that in an internal report on the current status of the Patent Bill, the U.S. Government no longer sees any hope of seeing the pipeline mechanism included in the Brazilian bill that is in its final voting phase at the Senate.

Suassuna said the WTO accord on intellectual property does not force member countries to adopt this mechanism. Therefore, the United States would be unable to justify trade sanctions against Brazil. He said he is willing to agree to a one-year transition period for patenting products instead of a five-year period if the mechanism is withdrawn from Bezerra's report.

If Suassuna is unable to convince the government before January to make an accord and merge the two reports into one, the Senate's plenary session will choose one of the reports which would be sent to the Chamber of Deputies which must then choose between the bill it approved in 1993 and the one voted on by the senators.

**Senate Expected To Approve Patent Bill in Jan**

*PY2912022195 Sao Paulo AGENCIA ESTADO in Portuguese 1828 GMT 25 Dec 95*

[By Aldo Renato Soares]

[FBIS Translated Excerpt] The patent bill proposal by Senator Fernando Bezerra (PMDB-RN) [Brazilian Democratic Movement Party] should be approved in the second half of January, despite the resistance of some PMDB sectors, of opposition parties, and of members of the government's own congressional base,

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like Senators Esperidiao Amin (PPB-SC) [Brazilian People's Party-Santa Catarina] and Jose Ignacio (PSDB-ES) [Brazilian Social Democracy Party- Espirito Santo]. "The Senate majority believes that this project is good for the country," Bezerra said. Fernando Bezerra was rapporteur of the bill at the Senate Economic Affairs Committee. After being approved by the Senate, the bill will return to the Chamber of Deputies. [passage omitted]

The text of the bill proposed by Senator Bezerra has awakened resistance. Senator Ney Suassuna (PMDB-PB) [Paraiba], the main adversary of the project, has insisted in granting patents (for a 20-year period) to those that will manufacture the patented product in Brazil. "If the product is not manufactured in Brazil, the country will not receive the technological contribution it needs," Suassuna said. Bezerra's proposal, Suassuna said, is very flexible on this point. It sets forth that if domestic production is economically unfeasible, another enterprise may exploit the product in Brazil, paying royalties to the patent's owner.

Pipeline — The pipeline, however, remains the most controversial issue. The pipeline entails the retroactive recognition of a patent of a product that has not yet been marketed. [passage omitted]

Sen. Suassuna disagrees with the pipeline because he believes that, after the approval of the new law, foreign laboratories will resort to the courts to be paid royalties for the products that are already on the market, under current rules (in which copies are permitted). "The law cannot be retroactive to damage," he contended. Bezerra, however, claims that his project is clear and that it will not permit retroactive requests.

Microorganisms — Another problem is related to the patenting of microorganisms. The church opposes this mechanism, which has been approved — with some limitations — by the Trips [Trade-Related Intellectual Property Rights] agreement, which — within the Uruguay Round of GATT [General Agreement on Trade and Tariffs] talks — addressed the trading of intellectual property.

The resistance of the church, basic on ethical and moral factors, has already convinced government senators Jose Ignacio and Esperidiao Amin to vote against the project, or at least against the part dealing with microorganisms. The project by Bezerra states that microorganisms may be patented if genetically modified for industrial use. Suassuna wants to limit the use of microorganisms that have been "engineered" for only one industrial process or for only one product.

Suassuna also wants to expand the period of transition for enforcement of the law, from one year — as was provided for in the executive branch bill submitted to the Chamber of Deputies (a condition that was maintained by the Senate committees) — to five years. Brazil will receive no benefit from extending the period of transition, because in such case it will have to abide by the decisions made by the World Trade Organization (WTO) in five years, when the microorganisms topic will be reviewed. The WTO has already decided that the revision will aim at expanding the patenting of microorganisms. However, Suassuna admitted that this topic can be negotiated. "It depends on the negotiations over the pipeline," he said.

**Decree Modifies Radio Broadcasting Rules**

*PY2712184295 Sao Paulo GAZETA MERCANTIL in Portuguese 29 Nov 95 p A7*

[All quotation marks, ellipses as published]

[FBIS Translated Text] The following is the text of the decree that changes the provisions of the Radio Broadcasting Services Regulations:

Decree No. ... 1995.

This decree modifies provisions of the Radio Broadcasting Services Regulations, which was approved by Decree No. 52795 on 31 October 1963, and its amendments.

The PRESIDENT OF THE REPUBLIC, using the attributions granted him under Article 84, Clause IV, of the Constitution,

Decrees:

Article 1. Articles 10, 11, 12, 13, 14, 15, 16, 28, 29, 30, 32, 36, and 37 of the Radio Broadcasting Services Regulations, which were approved by Decree 52795 on 31 October 1963, and its amendments will come to be effective as follows:

"Article 10. Permission to exploit radio broadcasting services will be preceded by a selection process via a public bid, observing the provisions of this regulation and the pertaining norms.

Section 1. The process of granting permission, within the terms of the bid call, seeks to guarantee equal treatment for participants and to observe principles of legality, morality, impartiality, and of public image [publicidade].

Section 2. The decision to call a bid will depend on requests by those interested or by the Communications Ministry.

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Section 3. When channels are available in the corresponding distribution plan, the interested party may present a study showing the economic feasibility of the initiative in the area where he intends to exploit the service.

Section 4. If no channel is available, beside presenting the study mentioned in Section 3, the interested party must demonstrate the technical feasibility study of his initiative according to the Communications Ministry norms on the inclusion of a new channel in the corresponding distribution plan in the area where the interested party seeks to exploit the service.

Section 5. The initiative of the interested party, through the preparation of economic feasibility studies and of technical feasibility to include a channel in the corresponding distribution plan, does not ensure him any right or advantage over other parties which may also want to exploit the service.

Section 6. The Communications Ministry will not prepare technical feasibility studies for the exploitation of radio broadcasting at the request of parties interested in exploiting radio broadcasting services. It will limit itself to examine those mentioned in Section 4 of this article.

Section 7. Mediumwave, shortwave, tropical band, frequency modulation, and television signals are all considered radio broadcasting services."

"Article 11. In the bid, to allow judgment criteria that best meet the public's interests, radio broadcasting services are classified as follows:

I - Voice radio broadcasting

1. Tropical band — Group A

2. Shortwave — Group A

3. Mediumwave

3.1 Local and regional — Group A

3.2 National — Group B

4. Modulated Frequency

4.1 Classes C and B (B1 and B2)

4.2 Class A (A1, A2, A3 and A4) — Group B

4.3 Class E (E1, E2, E3 — Group C)

II - Radio Broadcasting of Voice and Image

1. Classes A and B — Group B

2. Class E — Group C

Section 1. The Communications Ministry is entitled to modify the classifications in this article.

Section 2. Changes to the characteristics of the authorized service that result in a change of classification will not be allowed except when the change exclusively improves the service to the community for whom the service is intended."

"Article 12. Before beginning the authorization process for a concession or permit to exploit radio broadcasting services — be it at the request of the interested party or at initiative of the Communications Ministry — said ministry will, if it deems necessary, conduct via the DIARIO OFICIAL DA UNIAO a previous public consultation on the service that is intended to be offered."

"Article 13. The bid call will be prepared by the Communications Ministry which will observe, when necessary and among others, the following elements and requisites necessary for the formulation of the proposals for exploiting the service:

I - Proposed service;

II - Value or minimum value of the concession or permit;

III - Minimum conditions for payment through the permit;

IV - Rate of appeal [atratividade] to calculate the Present Value;

V - Technical characteristics of the service;

VI - Area where the service will be exploited;

VII - Operating hours;

VIII - Period of validity of the concession or permit;

IX - Reference to pertinent regulations;

X - Time limit for receiving proposals;

XI - Documents necessary for the evaluation of the economic- financial qualification, legal permission, and fiscal contributions;

XII - Questions and criterion to judge proposals;

XIII - Terms and conditions to appeal;

XIV - Special notations when the service will be offered in a border area.

XV - In cases of concessions, minutes of the respective contract, with the basic clauses.

Section 1. The bid may be canceled due to the absence of the interested parties and, at any time, by the administration through a Communications Ministry action.

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Section 2. Public bids will not be necessary for granting radio broadcasting service permits to domestic legal corporations [pessoas juridicas de direito publico interno], indirect state and municipal administration organizations, and for exclusively educational purposes.

Section 3. The parties mentioned in the above section who are interested in exploiting radio broadcasting services must present the same documents as the parties that participate in the bid, plus the requirements specified in specific norms."

"Article 14. The procedure for granting a permit begins with the publication of the bid call in the DIARIO OFICIAL DA UNIAO which must indicate the conditions and places where the interested parties can obtain the bid document, as well as the place, date, and time where the proposals must be presented to proceed for selection.

Section 1. The bid call must be published 60 days before the proposals have to be presented.

Section 2. Any changes to the bid requires the same publicity given to the original bid call, extending the originally established term, except when the change in no way affects the proposals.

Section 3. The same organization or individual members of the organization and its board of directors cannot be contemplated with more than one permit of the same kind for radio broadcasting service in a same area."

"Article 15. To obtain a permit, interested parties must provide the following documents:

I — legal authorization;

II — financial-economic qualification;

III — compliance with tax regulations;

IV — nationality of the interested parties and other demands related to partners and directors.

Section 1. Required documents related to the legal authorization are as follows:

a) A document reporting the constitution of the institution, as well as a copy of every modification to it. These must be duly registered or filed at the appropriate government department. The document must include among its objectives the rendering of radio broadcasting services. In the case of corporations, copies must be provided of the General Assembly Act during which the members of the board were elected; and a list of the shareholders with the amount, value, and type of shares that each partner possesses;

b) If the site contemplated in the bidding call is located near a border, a document proving the enterprise has obtained, beforehand, compliance from the appropriate organization; and

c) A declaration signed by the bidding enterprise board stating that:

1. The bidder has no permit already to exploit the same type of service at the site contemplated in the bidding call and that — if granted the permit — it will not have more than those allowed in Article 12 of Decree 236, dated 28 February 1967; and

2. None of the partners is a member of the board of another enterprise already rendering radio broadcasting services at the site contemplated in the bidding call; and that none of the partners is a member of the board of more radio-broadcasting enterprises than those allowed by Article 12 of Decree 236/67, even if located in other counties.

Section 2. The required documents related to the bidder's economic and financial qualification are as follows:

a) Asset balance sheet and accounting records of the last fiscal year, as demanded and established by the law, proving that the enterprise is in good financial situation. These documents cannot be replaced by common balance sheets or provisional balance sheets. They may be updated in accordance with the official indexes whenever they cover a period that ended more than 3 (three) months before the date of presenting the bidding proposal;

b) Documents proving that the enterprise has economic and financial qualifications to implement the service with its own resources or with resources resulting from loans obtained by it; and

c) A certificate issued by the registration office of the site where the corporation is headquartered proving that the enterprise has never gone bankrupt or called a composition of creditors.

Section 3. The required documents related to compliance with tax regulations are as follows:

a) Documents proving that the enterprise is registered in the General Taxpayers Register;

b) Documents proving the enterprise is registered in the state or municipal registry, as the case may be, of the site where the enterprise is headquartered;

c) Documents proving the enterprise has no debts with the Social Security Ministry or with the Severance Pay Fund; and

d) Documents proving the enterprise has no debts with federal, state, or municipal revenue offices or equivalent

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as established in law, of the site where the enterprise is headquartered.

Section 4. Institutions created to participate in the bid need not present the documents mentioned under "a" and "c" of Section 2, or "c" and "d" of Section 3.

Section 5. Documents related to partners must prove they are Brazilian-born or have been naturalized Brazilian for more than 10 (ten) years. To this extent, partners must present their birth or marriage certificate, their reservist's certificate, voter's card, identity card, or workers registration card, or any other document proving that they have been naturalized Brazilian. In the case of Portuguese citizens, a certificate of equal rights will be required.

Section 6. Required documents for directors are as follows:

a) Documents proving the directors are Brazilian-born or have been naturalized Brazilians for more than 10 (ten) years. This can be proven by any of the documents in the previous paragraph.

b) Certificates from the Office for Registration of Civil and Criminal Actions and for Legal Action on Unpaid Debts issued at the site where said directors have been living for the last 5 (five) years, as well as at the sites where they are performing or have performed economic activities;

c) Documents issued by the electoral boards proving they have complied with their voters' duties; and

d) Documents declaring that:

1. They are not members of the executive board of other radio broadcasting companies functioning at the site contemplated in the bid, or of more radio broadcasting companies functioning in other counties than those allowed in Article 12 of Decree 236/67; and

2. They have not been elected to positions that grant them congressional immunity or any other position that may grant them special prerogatives.

Section 7. The documents mentioned in the previous paragraph, except those that have a preestablished term of validity and those proving the bearers' nationality, must have been signed, issued, or revalidated no more than 90 (ninety) days before the date of the bid."

Section 8. Bidders who fails to present any of the documents mentioned in Sections 1 and 6 of this article, or who present documents that do not meet the requirements of the bid, have mistakes, or missing portions will be considered unauthorized to participate in said bid.

Section 9. Once the stage of authorizing the bidders is over and the bids are opened, bidders can no longer be disqualified for failing to comply with any of the authorization requirements, unless they become unauthorized for supervenient facts or facts that only became known after the authorization stage is over."

"Article 16. Offers will be examined on the basis of qualification criteria, considering the maximum percentages with respect to the highest qualification marks, as described below:

a) participation in the organization's shareholders of people or groups of people having their residences and domiciles in the locality to which the tender refers, and owning stocks or voting shares - 15 percent

b) time devoted to journalistic and reportage programs - 20 percent

c) time devoted to newscasts - 20 percent

d) deadline for beginning the final implementation of the service - 45 percent;

Paragraph 1 - Concerning the topic outlined under "d" in this Article, the maximum mark will be assigned to the offer indicating the shortest period. For the other topics, the top mark will be assigned to the offers indicating the highest figures; offers other than the best proposals will be assigned proportional marks.

Paragraph 2 - Considering the specific features of the service, the tender may include other topics for evaluation of the offers. The marks assigned under those new topics may not surpass 20 percent of the total qualification mark. In this case, the top percentages indicated in this Article will be proportionately reduced in order to admit the new topics.

Paragraph 3 - Based on the marks obtained by each organization, and considering the requirements posed by the service, organizations will be classified among those that obtained:

I - at least 50 percent of the maximum possible mark in the services listed in Group A;

II - at least 60 percent of the maximum possible mark in the services listed in Group B; and

III - at least 70 percent of the maximum possible mark in the services listed in Group C.

Paragraph 4 - Qualified organizations will be selected on the basis of the following criteria:

I - the best result obtained in qualifying for Group A services. The value of the license will be established through a resolution;

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II - the best result from multiplying the qualification mark by the mark corresponding to the proposed payment for the license for the services listed in Group B, in line with Paragraph 5 of this Article;

III - the best result offered for payment for the license, for the services listed in Group C.

Paragraph 5 - In the situation provided for in Criteria II, the highest and lowest proposed values for payment of the license will be assigned the mark corresponding to the organizations that ranked first and last, respectively, among those that qualified. Other offers will be assigned proportional marks, in keeping with tender regulations.

Paragraph 6 - The offer that, for services mentioned in Criteria II and III, indicates a value below the minimum value established for the license in the tender, will be disqualified.

Paragraph 7 - In case of a draw between two or more offers, the selection will be done by drawing lots, in a public ceremony to which all the parties that submitted offers will be invited.

Paragraph 8 - The value of the concession or authorization for exploitation of the services listed in Group A will be established by the Communications Ministry, and will be paid within the terms established in the tender. Payments will be deposited with the Telecommunications Inspection Fund — Fistel.

Paragraph 9 - The value of the concession or authorization for exploitation of the services listed in Groups B and C will be the one proposed by the winning organization, which must meet the minimum terms established in the tender, regarding — among others — grace period, payment terms, financial updating criteria, fines, and default charges. The winning organization will make the payments to Fistel.

Paragraph 10 - For the purpose of comparing payment offers, the Current Value will be considered in case of payment in installments, and calculations will be based on the rate of attraction established in the tender.

Paragraph 11 - The concession contract or the authorizing resolution will specify — as a compulsory condition for rendering the service — that the winning organization must comply with the terms established in its own offer concerning the topics mentioned in the preamble of this Article and the conditions established in Article 28.

Paragraph 12 - The licenses to State and Municipal Governments will be issued through an authorization granted by the president of the Republic or by the Ministry of Communications, in line with the terms of these regulations, and will be formalized through an agreement to be signed within 60 (sixty) days."

"Article 28...

.....

3. To start the final implementation of the service within a period of 36 (thirty-six) months as of the date the license was issued. ....."

"Article 29. The president of the Republic has the prerogative to grant the concession to the winning organization."

"Article 30. After deliberation in Congress in keeping with Article 223 of the Federal Constitution, which will be made public in keeping with existing regulations, the respective concession contract will be signed within 60 (sixty) days.

Single paragraph. The contract will be signed by the head of the organization and by the Ministry of Communications in representation of the president of the Republic. Within 20 (twenty) days after the date the contract was signed, the concessionaire will publish a summary of the contract in the DIARIO OFICIAL DA UNIAO."

"Article 32. The Communications Ministry has the prerogative of granting authorization to the winning organization.

Single paragraph. The authorization will come into force after deliberation by Congress, under Article 223 of the Constitution. Deliberation by Congress will be made public as stated in law.

"Article 36. The organization will begin rendering the service, in its final form, not later than 36 (thirty-six) months after the beginning of the period of validity of the license."

"Article 37. The deadlines mentioned in Articles 34, 35, and 36 of these Regulations may not be extended, except in case of contingencies or force majeure."

Article 2. This Decree will come into force on the date of its publication.

Brasilia, ..... 1995; 174th year of the Independence and 107th year of the Republic.

**Brazilians on Business, Crime, Privatization**

*96P20183*

[FBIS Media Note] BUSINESSMEN "OPTIMISTIC" REGARDING 1996—The majority of executives of Brazil's largest firms are optimistic with regard to 1996, despite the difficulties confronted in 1995 when there

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was an average 11 percent increase in the default rate. For 1996, they anticipate a 13 percent increase in sales, inflation below 20 percent, economic growth of up to 5 percent, and a drop in interest rates, according to the tenth Business Thermometer poll conducted in November by the Arthur Andersen consulting firm. The figures are based on responses from presidents and businessmen of 127 private firms — from among Brazil's 500 largest domestic and foreign firms — which combined have annual sales of $76 billion, representing 16.5 percent of the GDP.

According to Celso Giacometti, president of Arthur Andersen, the results were surprisingly optimistic, although less so than in 1994 when the Real Plan was first launched. Among the poll's respondents, 72 percent anticipate an increase in sales, 80 percent foresee lower interest rates, and 92 percent are confident in the growth of Brazil's economy, as opposed to 6 percent who expect stagnation and 2 percent, recession.

Although optimistic, 74 percent of the businessmen interviewed said they believe that they will have to cope with greater competition in 1996. Foreign competition is viewed with greater caution than last year: 51 percent said they believe that they are in a position to compete on the international market; in 1994, that percentage was 64 percent. According to the poll, 77 percent of the businessmen cited "the Brazil cost" as the primary competitive disadvantage. (Sao Paulo O ESTADO DE SAO PAULO 7 Dec 95)

PERCEPTIONS OF VIOLENCE IN RIO—A poll conducted by the DataBrasil Research Institute among 600 Rio residents on 30 November and 1 December revealed that a large majority believe that there was more violence in Rio de Janeiro during 1995 than in 1994. A total of 76.5 percent feel that the city has become more violent, while only 9.5 responded that violence declined and 13 percent said that it was just the same.

The poll also surveyed public attitude toward the 28 November "Rio Reacts" march, organized out of protest to a recent wave of kidnappings. The results showed that while 95 percent of those polled were aware of the march due to the extensive press coverage preceding it, only 4.5 percent said that they participated. Other results indicated that 27.5 percent of the respondents believed that the march "does not help" in combatting violence, 38 percent believed that "it doesn't help much," 33 percent said "it helps a lot," and 1.7 percent either did not know or did not wish to answer. (Rio de Janeiro JORNAL DO BRASIL 6 Dec 95)

DRUG USE DECRIMINALIZATION OPPOSED—The Chamber of Deputies Special Committee for National Drug Policy unanimously approved a draft bill decriminalizing the use of drugs on 6 December. The bill, which will be voted on in the Chamber "before the end of December," establishes that an individual found to be in possession of a small quantity of drugs cannot be arrested or detained by the police. The drug user, however, must pay a fine equivalent to roughly one minimum salary. According to Deputy Fernando Gabeira [Green Party-Rio de Janeiro], a member of the Special Committee, "The bill decriminalizes the user, but the drug will continue to be illegal."

A survey on drug use legalization conducted by the Vox Populi Institute among 3,075 individuals in 214 Brazilian municipios was published in the 23 April JORNAL DO BRASIL. According to the survey results, 78 percent of those interviewed denounced the legalization of marijuana, 14 percent defended it, 5 percent supported it depending on the circumstances, and 3 percent either did not know or did not wish to comment. (Rio de Janeiro JORNAL DO BRASIL 7 Dec 95)

IDESP POLL ON PRIVATIZATIONS—A survey conducted by the Sao Paulo Institute of Economic, Social, and Political Studies (IDESP) revealed that public support for the privatization of the Rio Doce Valley Company (CVRD), "the apple of the eye" of the Cardoso government's privatization program, fell during the second half of 1995. Only 39 percent of those interviewed were in favor of the sale of the CVRD, as opposed to 52 percent who expressed support for it in a survey conducted in the first half of the year. According to the IDESP survey, coordinated by political scientist Bolivar Lamounier, the majority of Brazilians also continue to have reservations regarding the sale of the Brazilian Petroleum Corporation (Petrobras): only 37 percent believe that the government should sell it; 36 percent were of the same opinion in the previous survey.

Brazilians do, however, support the privatization of Brazilian Telecommunications, Inc. (Telebras), Brazilian Electric Power Company, Inc. (Eletrobras), and the state banks, according to the survey. In the case of the banks, the shift in public opinion is "surprising"; support for turning those banks over to private enterprise rose from 42 percent in the previous poll to 56 percent.

The IDESP poll also revealed that only 36 percent of Brazilians favor maintaining job stability for public servants. Eighty percent want to see public employees dismissed for reason of proven incompetency. (Rio de Janeiro JORNAL DO BRASIL 6 Nov 95)

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## Chile

### Business Sector Satisfied With EU Accord

*PY2812212895 Santiago LA TERCERA DE LA HORA in Spanish 24 Dec 95 p 19*

[Article by Pamela Sotomayor F.]

[FBIS Translated Text] The Chilean business sector has received with satisfaction the news that our country and the European Union (EU) on 18 December signed in Madrid, Spain a joint declaration to consolidate economic and political ties and to pave the way for a future association treaty.

Jorge Fontaine Aldunate, President of the European Commission of the Production and Trade Confederation, has defined this step as a "valuable development toward tighter relations with Europe." He added, however, that this is only the beginning of a very long way that could go on until the year 2005.

"The joint declaration signed by Chilean Foreign Minister Jose Miguel Insulza and his Spanish counterpart Javier Solana, in his role as representative of the EU, is in fact a very important first step that helps develop an economic and political agreement which could finally lead to a reciprocal liberalization of trade, and this could take some seven years," Fontaine said.

He said that the current scenario is very positive "because a year ago a bilateral agreement with the EU was absolutely unthinkable."

He added that the next step that could be taken during the first half of 1996 is that the EU Council of Ministers approve a negotiation guideline for the signing of a new Framework Agreement that will set the steps to be followed to sign the Trade Agreement.

Fontaine said that of the overall Chilean exports up to September 1995, almost 26 percent go to EU countries, being the second most important macromarket after the Asian region, which absorbs 34.1 percent of overall exports.

Fontaine said that the possible liberalization of trade by the EU represents for Chile an opportunity to increase its exports, especially of agro-industry products, which for being better processed, are currently punished the most with non-tariff restrictions.

"If everything goes well as it has been so far, we could attain in seven years more the elimination of tariffs and other barriers which might affect more than 95 percent of the tariff system of each party," he said.

### Agriculture Minister Evaluates Talks With Mercosur

*PY2812204695 Santiago LA TERCERA DE LA HORA in Spanish 25 Dec 95 p 22*

[FBIS Translated Text] Agriculture Minister Emiliano Ortega said on 22 December that Chile has taken a strong stand in the negotiations with Mercosur [Common Market of the South]. He said: "We are defending our agriculture just as the Argentines and Uruguayans defend theirs because they want to sell their products exclusively to Brazil without giving us any room."

He said that Chile is proposing a list of exemptions that includes wheat, meat, and sugar, which will be essential for Chile to join Mercosur. He added: "We will use all the mechanisms allowed by international negotiations such as the concept known as 'windows' for the case of some products during the harvest season. This means that we will not allow imports or the quota system or the gradual tariff reduction."

Ortega noted that Argentina and Uruguay, which produce food similar to that produced in Chile, are the ones creating problems for our country to join Mercosur because they want to sell their products exclusively to Brazil, which is one of the most important markets because of its size.

He said that Argentina is exporting goods worth about $6 billion to Brazil, of which $5 billion are agricultural products.

Ortega added: "These products are the same ones produced in Chile. This situation worries those countries because our country can compete with milk, wine, fruit, vegetables, and even forestry products."

He added that the talks with Mercosur are "coming along reasonably well," even though Mercosur members "are not open to the liberalization of the trade of services, such as telecommunications and air services, because it is known that Chile is very efficient in these areas."

### Government Protests French Nuclear Test in Mururoa

*PY2812210695 Madrid EFE in Spanish 2013 GMT 28 Dec 95*

[FBIS Translated Text] Santiago, 28 Dec (EFE) — The Chilean Government today reasserted its energetic protest and repudiation in view of the fifth French nuclear test in the last four months, which was conducted yesterday in the Mururoa atoll.

A Chilean Foreign Ministry note states: "The new French detonation is the cause of profound disillusion-

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ment in the international community which has categorically rejected this attitude because it undermines the community's willingness to completely ban nuclear tests."

It adds: "France has again ignored the international appeal encompassed in the UN General Assembly resolution, which was sponsored by Chile, which firmly deplores the holding of nuclear tests and urges the immediate cessation of these tests."

The note concludes: "In addition to urging the French Government to discontinue its nuclear tests program, the Chilean Government reasserts its intention of continuing to express its opposition to any type of future nuclear test."

The 150 ecological organizations that comprise the National Ecological Action Network (Renace) also expressed today their repudiation of the fifth French nuclear test.

On 5 December, Renace submitted to President Eduardo Frei a paper containing over 500,000 signatures rejecting the nuclear tests so that he may inform this repudiation to French President Jacques Chirac.

In a press communique, Renace states: "We once again appeal today to President Chirac to comply with the wishes of French citizens and those of the entire world to definitively suspend the remaining three nuclear tests, which are scheduled to be held between January and May 1996."

**UDI President Assesses Frei Administration**

*PY2812235995 Santiago EL MERCURIO in Spanish 27 Dec 95 p C3*

[FBIS Translated Excerpt] The executive board of the Independent Democratic Union [UDI] yesterday made an evaluation of the government administration of the last 12 months pointing out that it was a lost year for national unity, for solving social problems, and for achieving institutional stability.

The UDI asked for changes in the guidelines of the administration of President Eduardo Frei, that it is urgent to have cabinet changes and the withdrawal of the bills on constitutional and labor reforms from Congress.

The UDI specifically demanded that priority be given to social projects and that the useless debate on political issues that have distracted the attention of officials and parties in the last few months be put to an end.

In a news conference given by party leaders, UDI President Jovino Novoa, Vice President Hernan Larrian, and Secretary General Juan Antonio Coloma, the UDI made an evaluation of the government administration in 1995 which was labeled as "a lost year."

This evaluation was rejected by the Christian Democratic Party, whose acting president Deputy Jorge Pizarro believes that the UDI criticisms are only an anticipation of the terror electoral campaign that party plans to carry out in 1996 for the municipal elections. [passage omitted]

Novoa also said that in 1995 the government became bigger because it received twice as many resources than five years ago but that those funds did not lead to any improvements in health, education, security or the fight against poverty. He also said that the reason for this is because an important part of those resources was wasted in bureaucracy and superfluous spending. He added that despite the large income from taxes, the government increased taxes even higher.

The UDI admitted, however, that despite the increase in public spending, a healthy macroeconomic policy was maintained and that inflation was kept under control. But Novoa rejected the government's position of showing economic growth as its achievement. He said that the country continues to grow thanks to the inherited economic structure, the vitality of the private sector, and the excellent international prices of our exports. He warned, however, that the confidence of the private sector is being undermined.

Novoa said that stability and confidence are being undermined by the effort to dismantle the institutional order and the insistence in carrying out the labor reform project.

He said that the constitutional reforms proposed by the government show the desire to return to the monopoly of party power to the detriment of a balanced system protecting the people's rights.

He also said that the labor reforms will be a step back for the country's development. [passage omitted]

**Socialist Leader Advocates 1997 Pact With Communists**

*PY2812212795 Santiago EL MERCURIO in Spanish 27 Dec 95 p C1*

[FBIS Translated Excerpt] Deputy Camilo Escalona, president of the PS [Socialist Party], said yesterday that the discussion of an instrumental pact between the Coalition of Parties for Democracy [CPPD] and the Communist Party of Chile [PCCh] for the 1997 congressional elections is still pending. The idea is to have a legislative majority for the approval of the constitutional reforms the CPPD deems necessary.

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Escalona recalled that this idea was proposed early this year by Interior Minister Carlos Figueroa and Defense Minister Edmundo Perez Yoma to the blocs of Socialist senators and deputies.

Deputy Escalona, who heads the "New Left" movement within the PS which won the recent party internal elections, believes that the idea of an agreement or instrumental pact with the PCCh has enough ground for approval at the appropriate time. He said that this should undoubtedly be included in the agenda of the CPPD for discussion in the first half of 1997.

The plenum of the PCCh held two weeks ago discussed this issue, according to Carlos Toro, member of the PCCH political committee, who said that his party supports the idea as long as it is not a simple agreement for electoral purposes.

The PCCh believes that the agreement must have content and objectives such as the constitutional and labor reforms, among other issues.

Escalona referred to this issue when asked about the possibility that the CPPD could in the future expand toward the right and the left. Escalona discarded any opening toward the right, specifically toward the RN [National Renewal]. [passage omitted]

Deputy Jorge Schaulsohn, president of the Party for Democracy, said this proposal has not been discussed in the CPPD and that it is an artificial and premature issue. [passage omitted]

**Minister: Current Challenges Greater Than Achievements**

*PY2812124095 Santiago EL MERCURIO in Spanish 24 Dec 95 pp A1, A15*

[FBIS Translated Excerpt] Jose Joaquin Brunner, minister secretary general of government, said yesterday the government is fully satisfied with the achievements obtained in different areas of national activity during 1995, although this does not prevent it from being aware that current challenges are "as great or greater" than the achievements obtained.

After defining 1995 as "a year of efforts, of very good results in sectors which are essential for the country's development," he said that in two years it is impossible to fully attain goals like the modernization of crucial social areas — among them health and education — or to consolidate the existing infrastructure.

He added that without saying the planned government tasks have been completed, it can be said that the modernization processes have been implemented and are in a full development process with multiple committed resources and programs.

He said: "The government clearly understands it has a long way to go and that it must have to use persuasion to include those who, in some cases, feel reluctant because of the inertia within these systems."

He thus rejected criticism by leaders of the coalition, namely that made the day before yesterday by Guido Girardi, vice president of the Party for Democracy, PPD, who demanded that some ministers be changed so as to achieve greater efficiency in the fulfillment of the social agenda.

In an interview at his house, Brunner categorically denied that the president may consider changing some ministers who enjoy his exclusive confidence. He said remarks like those made recently by some leaders are "a futile and unavailing exercise that makes noise in the field of political communications."

He said: "They are wasting their time and that of public opinion. President Frei has instructed me to categorically state his prerogative that the organization of the cabinet and the selection of the team members who are of his exclusive confidence is not and will never be subordinate to this type of public questioning which has little pertinence and is useless." [passage omitted]

**Santiago Antidrug Police Chief Removed From Post**

*PY2812152495 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1000 GMT 28 Dec 95*

[FBIS Translated Excerpt] Police Deputy Superintendent Jose Miguel Vallejos has been removed from his post as chief of the Santiago Antinarcotics Brigade. Investigative Police Chief Nelson Mery has said this change is part of the reorganization of units involved in the antidrug fight. Mery also reported that he met with comedian Juan Carlos Melendez [who stated that police agents paid for his performances with drugs].

Nelson Mery today announced the new structure of the National Antinarcotics Brigade. He said the number of special brigades throughout the country have been increased from 5 to 19. He added that four brigades will work in the drug area in Santiago, and for this reason a superintendent has been appointed to the post of chief of the capital. He explained that as he is only a deputy superintendent, Vallejos could not continue in that post. For this reason he has been deployed to the Drug Education and Prevention Department. [passage omitted]

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**Aymara Community Issues First Bulletin in Arica**

*PY2812152095 Santiago EL MERCURIO in Spanish 23 Dec 95 p C10*

[Report by Diana Valdivia A.]

[FBIS Translated Text] Arica — The local Aymara community has published the first issue of the "PACHAKUTI NUEVA ERA" [PACHAKUTI NEW ERA], a bi-monthly bulletin led by sociologist Eduardo Perez Rodriguez. The bulletin is published by the Arica and Parinacota-based National Corporation for Indigenous Development, Conadi, which is chaired by bookkeeper Emilio Jimenez Mamani. The publication contains articles on Conadi's agenda, budget allocations, list of important projects implemented in the zone, land and water funds, and miscellaneous news.

A recent census showed that the Arica and Parinacota Provinces are inhabited by 9,000 Aymaras older than 14.

**Chamber Passes Labor Reform Bill**

*96P20186A*

[FBIS Media Note] The Chamber of Deputies on 12 December passed and sent to the Senate the labor reform bill submitted by the executive branch more than a year ago. Only the deputies belonging to the governing Coalition of Parties for Democracy (CPPD) voted in favor. The bill was intended to improve the legal standards regarding the right to unionize and the collective bargaining process. It penalizes practices hindering union organization, facilitates union autonomy, and bans the use of replacement workers during a strike. The bill also permits union federations (unions having workers from more than one company) to initiate a mandatory collective bargaining process; the company management involved may then choose whether to negotiate alone or with the management of the other companies having workers belonging to that same union.

The Chamber rejected two changes proposed by the United Workers Confederation (CUT) and approved by the Labor Commission. One change concerned establishing a "floor" for individual contracts whenever a collective contract had expired. The other sought to grant job security to workers' representatives in cases where there is no union. These changes were not supported by the executive branch, which also wanted to restore a section of the bill concerning labor flexibility which would permit companies to change work schedules and suspend contracts if the companies faced "difficulties." This part was voted down 39-8. Labor Minister Jorge Arrate said, however, that the government will persist in trying to get the change accepted.

During debate, opposition deputies called the bill "a step backwards" which would cause greater unemployment among young workers, discourage businesses from hiring, and favor only the largest union organizations. National Renewal Deputy Alberto Espina saw the bill as trying to extend collective bargaining outside a single company, "with interference from outsiders." (Santiago EL MERCURIO, 13 December)

Acting CUT President Arturo Martinez, who considered the bill's provisions "still insufficient," noted that while the deputies had rejected two of the changes proposed by the CUT, they had approved six others, including one concerning rehiring or payment of compensation in cases of wrongful dismissal. Martinez said that the bill as approved so far "is not so bad," although it does not completely solve the problems affecting workers.

Osvaldo Herbach, president of the Autonomous Workers Federation (CAT), stated that the bill does not completely address the "lack of balance" between management and unions. The CAT is a new organization which defines itself as "humanist-Christian." Most of its leaders are members of parties belonging to the CPPD, and it is affiliated with the Latin American Workers Federation (CLAT). Herbach said that the lack of equality between employers and workers encourages conflict. He denied that giving more negotiating power to the unions would cause increased labor conflict or discourage investment. "We think the opposite," he said. "By giving power to the union organizations to sit at the table with the business owners, it is much more likely that the two parties will get along." According to Herbach, the CAT's basic aim is to create new grass-roots organizations that will make it possible to "revitalize the dispirited union movement." (Santiago EL MERCURIO, 15 December)

## Colombia

**Government 'Ready To Talk' With Paramilitary Groups**

*PA2912031695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 23 Dec 95*

[Report by Mireya Cardenas; from the "Cripton Newscast"]

[FBIS Translated Text] Defense Minister Juan Carlos Esguerra has visited several military garrison to bring a Christmas greeting to Colombian soldiers stationed away from home during this time of the year. There, he referred to important topics of the national life.

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Although no date has been set yet for the beginning of talks with the self-defense groups led by Fidel Castano, Defense Minister Juan Carlos Esguerra ratified that the government is already prepared to sit down at the table and try to reach an accord.

[Begin Esguerra recording] The government is evidently ready to talk, even with the self-defense groups or the so-called paramilitary groups. [end recording]

The minister also stated the fact men like Fidel Castano are seeking a rapprochement with the government and a return to civilian life is an important step onn the road to peace.

Meanwhile, the defense minister commented on the demands made by Pacho Herrera, last Cali Cartel druglord still on the run, for his surrender to justice authorities.

[Begin Esguerra recording] When one has been an outlaw the way he has been, when one has committed the offenses everything indicates he has committed, I don't think one is in any position to make demands before surrendering. [end recording]

**Pact's Effect on Inflation Rate Questioned**

*96CA0093A Santa Fe de Bogota EL TIEMPO in Spanish 17 Dec 95 p 8C*

[Article by Eduardo Lora, Executive Director of the Foundation for Higher Education and Development (Fedesarrollo)]

[FBIS Translated Text] The reduction in inflation is one of the economic policy's major accomplishments in 1995. Even those of us who, from the outset, doubted the virtues of the Social Pact must admit that.

By November, inflation had dropped to 20.1 percent, and it will not be at all strange if it stands between 19.5 and 20 percent at the year's end. True, the promise of 18 percent will not be fully kept, but it is a great achievement to have reduced it from the 22.6 percent of previous years, because that was precisely the inertial average for inflation during the past 25 years.

However, the accomplishment does not warrant so much euphoria. The pact really had little to do with the drop in inflation; and, what is worse, the inflationary inertia has not changed greatly. Let's see.

Virtually the entire decline in inflation was due to agricultural and livestock products. A year ago, they were increasing 22.2 percent, and now they are rising only 17.3 percent. Since these products represent nearly half the consumer market basket, the lower inflation is due almost totally to them. And this is a result of some good harvests, rather than of the Social Pact negotiations.

Public services also had a considerable slowdown: from 24.7 to 18.5 percent, according to the data as of November. But their weight in the family market basket is a modest 5.5 percent; and, what is worse, this is a pyrrhic victory that is being translated into a larger fiscal deficit and delays in rates that will have to be paid sooner or later.

The rest of the items did little on behalf of the Social Pact. Rents and the rest of the services are increasing nearly 26 percent, just two points lower than a year ago, and not owing to the pact, but rather to the slowdown in the real estate market and other activities.

On the other hand, prices of industrial products are rising more: 17.7 percent, instead of the 16.1 percent growth that they showed before the pact. Ostensibly, they have kept the commitment of 18 percent, but this is due to the discipline imposed on them by increased imports, contraband, and the recent slowdown in demand.

The group of prices set by the urban private sector is still increasing 22.8 percent, slightly less than the 23.5 percent of last year, and virtually the same as the average for the past 25 years. Consequently, there is no basis for believing that the Social Pact has broken the inflationary inertia, as was its explicit purpose.

All this means that it will be very painful to attempt to cut inflation to 17 percent in 1996. And it would be a mistake to try this based on new delays in public service rates, or with more stringent controls and regulations to adjust rents and other prices based on that target.

The only medicine that might work would be a genuine fiscal discipline. The government had promised that, in 1995, it would achieve a 0.7 percent surplus in the GDP, and this was recorded in the text of the pact. In the end, it will have a deficit exceeding 1.0 percent of the GDP, but such non-fulfillment did not matter to anyone.

In short, those responsible for the success of the pact were not the ones signing it, who did little to fulfill its commitments. They will have good reason to sign again.

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**The Reduction in Inflation (annual as of November) [figures in percentages]**

| | Share of the market basket | 1994 | 1995 |
|---|---|---|---|
| Total inflation | | 22.1 | 20.1 |
| Sectors That Helped | | | |
| Agricultural-livestock | 48.2 | 22.2 | 17.3 |
| State services | 5.5 | 24.7 | 18.5 |
| Sectors That Did Not Help | | | |
| Industrial | 16.5 | 16.1 | 17.7 |
| Rents | 20.7 | 27.5 | 25.5 |
| Rest of services | 9.1 | 28.0 | 25.8 |

Graphic: Editorial Design/EL TIEMPO

### Beginnings of Petroleum 'Bonanza' Seen

*96CA0091A Santa Fe de Bogota SEMANA in Spanish 19 Dec 95 pp 86-88*

[FBIS Translated Text] One of the toasts not missing at many Casanare tables this December will refer to the torrent of petroleum. After all, since 6 July of last year, when the first ship carrying Cusiana crude set sail from the port of Covenas, so much black gold has flowed under that land that someone, in the heat of the partying, will surely raise his glass and say: "At last, the petroleum bonanza has appeared."

And he will have reason to do so. If anything happened in 1995, it was that the time came for the so often predicted Cusiana "boom." From a production of 10,000 barrels per day in September 1994, the Casanare field's production rose to 185,000 barrels per day in July of this year. The reason is that the timetable for completing phase one of the project was advanced three months. And, since the production figure is reflected in sales, petroleum exports also experienced an appreciable growth of 56.7 percent, compared with the first half of the previous year. The leading purchasers were the United States, Puerto Rico, and the Andean Pact countries.

Cusiana's arrival in the world of petroleum was good not only because of the quantity exported, but also for the improved terms on which Colombia was able to sell the crude on the international market. They exceeded the terms for the West Texas Intermediate (WTI) variety, whose average is the price at which the national petroleum has traditionally been sold. Since the Cusiana crude is lighter, it could be sold for a few centavos more. That occurred after a strenuous lobbying effort on the part of the project's partners, who demonstrated the product's good qualities to the new clients.

The course of action that had to be taken to produce more petroleum was not easy. Investments amounting to $1.226 billion were required among all the partners in the project (Ecopetrol [Colombian Petroleum Enterprise], BP Exploration, Total, and Triton), to adapt the infrastructure to the new demands. However, while that figure is high, the amount still needed is even greater: $3.894 billion. The money will be required to reach phase two of Cusiana's development, which will be completed at the end of 1997 with a production of 500,000 barrels. This includes Cupiagua, the development of which is proceeding according to schedule.

One of the most expensive works is the Central Oil Pipeline which, after a tortuous procedure to obtain all the pertinent licenses, had its construction started in August by Ocensa, the firm comprised of the Cusiana partners and the firms Transcanada and International Investment. When it is ready, in 1997, it can be claimed that Colombia has begun having a stronger impact among the petroleum leagues of the world. This will be the case because, within the next 20 years, there are plans to extract from Casanare approximately 2 billion barrels of crude which, at today's prices will generate gross receipts of over $36 billion.

Although the numbers may be high for a country like Colombia which, starting with reserves of 1.6 billion barrels, has progressed to 3.6 billion, they are still low compared with those of the big league countries. For example, Venezuela has 62.6 billion, and Mexico, 51.3 billion. This means that Colombia holds only 2.86 percent of the Latin American reserves. And, if they are viewed in comparison with those of the Middle East, the calculations are even less auspicious. In that region there are 661 billion barrels of crude.

This is so much so that Colombia is still continuing to import gasoline. According to the latest figures from the DANE [National Administrative Department of Statistics] and the DIAN [National Customs and Tax Directorate], between January and June of this year the country imported $198.2 million worth of that fuel, with a 29.1 percent variation from the amount for the same period last year. According to the vice president for exploration of the Colombian Petroleum Enterprise, Ismael Enrique Arenas, "What is happening is that the

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refineries in Colombia are not supplying enough to meet the demand for gasoline in the country. And besides, at this point the question arises as to whether it is justifiable to assume the high costs of building a refinery instead of importing gasoline. Nevertheless, what is desired is to stimulate the private sector to enter that business." For the present, the intention is to allocate a few barrels of Cusiana crude (which is a lighter type) to the Barrancabermeja refinery, in order to enrich the mixture of other national crudes, and to produce gasoline. The maximum would be 50,000 barrels, but time is still needed to reach that figure.

**Black Waters**

However, even though the crude produced by Colombia is not all that the country would like, the fact that the bonanza has begun means that it also must start taking precautions with the money that will be entering because of the larger petroleum production. And if there is any place to which special attention should be paid it is Casanare, a department of 200,000 inhabitants, with the features inherent in a petroleum-producing province, whose course has already begun shifting dramatically.

At least that is what is shown by the study by the Regional Center for Coffee and Business Studies (CRECE), contracted by the private partners in the Cusiana project. According to the report, the departmental government's revenues reached 30.509 billion pesos last year, compared with 555 million in 1984. With that volume of funds, it is not surprising that the glasses are clinking on account of petroleum. Nevertheless, since not everything is rosy, the expenses were slightly higher than that figure (30.822 billion pesos). This has been the trend since 1992 and, although the majority went for investment in 1994, 13 percent was allocated for operating expenses, and 12 percent for service on the debt.

Although a part of the story has been the likely excess spending, there is another quite different part. Between 1985 and 1993, Casanare had a surprising average growth, of 8.3 percent: double that on the national level. And, although agriculture and livestock raising lost a share of the total production pie, they maintained sizable growth rates. The petroleum sector, for its part, obviously moved from contributing 12.5 percent of production in 1985 to having a 45 percent share in 1993. And those figures will continue to rise during the next few years because, if there is anything flowing in the plains region, it is that sticky black liquid called petroleum.

The party does not end there. Something else to celebrate has been the emergence of new sectors, such as construction, commerce, and finance, which have arrived lured by a region which, 10 years from now, will have a per capita income 10 times larger than the national average. Moreover, it has traditionally had one of the highest salary rates in Colombia. However, according to the CRECE, despite the progress, two sectors on which it will be necessary to focus more attention are education and health. This is so because, although the supply of schools and beds has increased to a considerable extent, the quality levels are not yet ideal, and there is much room for improvement.

In any event, what the experts want to avoid at all costs is a repetition, in Casanare, of the history experienced by Arauca, where extravagances and squandering concealed the good sides of the bonanza that reached it when the Cano Limon crude began spouting. The fishtailing runway, the swimming pool with waves, and other projects eclipsed, for example, the fact that the higher petroleum levels contributed to the growth of both the national and regional production.

Nevertheless, the precautions will not have to be aimed solely at a department with a mere four years of history. The nation also will have to keep an eye on its finances, to prevent the higher income based on exports from upsetting certain macroeconomic variables, such as inflation. And there are more than sufficient reasons for expecting the economy to rotate, so that smooth handling will be needed to adapt to the new conditions. In fact, whereas in 1994 crude exports contributed 15 percent of Colombia's total sales worldwide, the official estimates assert that, in 1998, they will account for 31.7 percent, which would represent about $4.17 billion.

The precautions will have to be even greater if one takes into account the Ecopetrol calculations claiming that Piedemonte Llanero might contain an additional 2 billion barrels. Thus, the country would have over 4 billion barrels of reserves. At least this is what is indicated by preliminary explorations, which will take some time to be confirmed. Nevertheless, auspicious calculations cannot become a reason for intoxication, raising glasses to celebrate the arrival of a petroleum bonanza at last. Rather, we should take the spoutings of the black gold calmly, trusting that, this time, Colombia will manage to avoid the hangover from another drinking binge.

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## Ecuador

### Reaction to Peru's Charges on Air Space Violation

#### Military Asks MOMEP To 'Clarify' Charges

*PY2912014295 Madrid EFE in Spanish*
*0036 GMT 28 Dec 95*

[FBIS Translated Text] Quito, 28 Dec (EFE) — The Ecuadoran Armed Forces today urged the Ecuador-Peru Military Observers Mission (MOMEP) to "clarify" Peruvian charges about attacks and overflights that Ecuador has allegedly made in Peruvian territory all of which have been extensively denied throughout the day.

An Ecuadoran Defense Ministry communique states: "MOMEP has control over the demilitarized zone and its adjacent areas. Therefore, it is expected that this important mission, characterized by its proven impartiality, will issue a communique clarifying these charges disseminated in Peru so that the level of trust achieved by the parties will return to normal levels."

Ecuador and Peru waged a war from 26 January to 28 February 1995 over a strip of border in the Amazon region that lacks border markers.

The two countries are currently embarked in a pacification process under the supervision of the MOMEP comprising military officers from Argentina, Brazil, Chile, and the United States, all of which are guarantor countries of the treaty signed in 1942 establishing the Ecuadoran-Peruvian border.

First a Lima newspaper and then the Peruvian Armed Forces High Command today reported that on 27 December Ecuadoran planes reportedly overflew Peruvian territory and that an Ecuadoran boat fired shots at a Peruvian watch post.

The communique adds: "Ecuadoran military sources have categorically denied these reports. Moreover, they have informed MOMEP that no Ecuadoran plane has overflown this area and that this has been carefully verified in all the flight registries of Ecuadoran Armed Forces institutions."

Prior to the communique, both General Fernando Martinez de la Vega, the Ecuadoran Air Force (FAE) commander; and General Alfonso Alarcon, the Ecuadoran defense minister, categorically denied these reports.

The Ecuadoran communique adds: "We do not know what the ulterior motive is behind these Peruvian reports because Ecuador has made a great effort so that the auspicious peace process that is currently under way is not affected by any circumstance."

It adds that reports disseminated in Peru state that "Peruvian troops have been mobilized to the northern Peruvian border" in view of the alleged attack and overflight of Ecuadoran planes.

#### Commander Denies Air Space Violation

*PY2812202295 Madrid EFE in Spanish*
*1736 GMT 28 Dec 95*

[FBIS Translated Text] Quito, 28 Dec (EFE) — General Fernando Martinez de la Vega, commander in chief of the Ecuadoran Air Force (FAE), denied today that FAE aircraft violated Peruvian airspace as reported by the Lima press.

The general said: "That report is absolutely false. Unfortunately we are in a period when things happen; and even worse, like what happened at the start of the year (the war between Ecuador and Peru)." He thus referred to the nearness of the anniversary of the Rio de Janeiro Protocol which established the limits between Ecuador and Peru in 1942.

Gen. Martinez de la Vega told EFE: "I do not know the objective of releasing this type of information, but it is totally false."

#### Minister: 'Distorted' Data in Press

*PY2912002695 Quito Voz de Los Andes in Spanish*
*2300 GMT 28 Dec 95*

[FBIS Translated Text] Ecuadoran Defense Minister General Alfonso Alarcon announced today that the Ecuadoran Armed Forces will officially convey to the Ecuador-Peru Military Observers Mission, MOMEP, its concern for the distorted information campaign being carried out by a sector of the Peruvian press.

At a news conference with foreign reporters, Alarcon pointed out that Ecuador does not know the purpose of the campaign, which was precisely unleashed when the binational peace process is making concrete progress with the help of the MOMEP after the undeclared war waged by the two countries over an unmarked Amazon common border.

Alarcon said that General Cesar Duran, who is the liaison of the Ecuadoran Armed Forces with the MOMEP, is preparing the document which will convey the Ecuadoran concern for this distorting press campaign that is projecting an image that Ecuador advocates an arms race, discredits its political and military leaders, doubts the impartiality of the guarantor countries, and reports alleged military deployments which are in the end denied.

Alarcon also alluded to press reports from the U.S. and other countries that Peru is negotiating the purchase

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of airplanes, missiles, and helicopters, among other offensive sophisticated equipment.

Alarcon added that it is important and necessary that Peruvian officials also report on what they are purchasing.

### Nations' Ministers Discuss Charges

*PY2912030395 Madrid EFE in Spanish*
*0234 GMT 29 Dec 95*

[FBIS Translated Excerpt] Quito, 28 Dec (EFE) — Ecuadoran Foreign Minister Galo Leoro talked today on the phone with his Peruvian counterpart Francisco Tudela. He then met with representatives of the embassies of the guarantor countries, which are involved in the peace process between the two countries after the undeclared war early this year.

The contacts were made as a result of the charges made by Lima daily LA REPUBLICA today that Ecuadoran Air Force planes violated the Peruvian air space on 27 December and that this caused the immediate mobilization of Peruvian troops.

According to the Ecuavisa network of Ecuadoran television, Leoro reportedly informed Tudela that he knew nothing about the military deployments on the two sides and that he was going to investigate the case.

Brazilian Ambassador in Quito Omar Chofi, who later met with Leoro, said: "I believe the peace process is very solid and it is being carried out with great success, not only within the Ecuador-Peru Military Observers Mission (MOMEP), which is in charge of preventing violations of the demilitarized zone at the border region. [passage omitted]

### Finance Minister Comments on 1996 Budget

*PY2912022795 Quito Voz de Los Andes in Spanish*
*2300 GMT 28 Dec 95*

[FBIS Translated Text] Finance Minister Ivan Andrade said today that 65 percent of the state budget will be appropriated for routine spending and investments, while the remaining 35 percent will be appropriated to service the public debt.

Andrade said that the budget for the 1996 fiscal year, which is 11.37 trillion sucres, will be materialized today between the government economic officials and the members of the Budget Committee of Congress.

Andrade reiterated once again that despite the pressures from some sectors, the currency will not be devalued under any circumstance because the government decided to maintain a stable economy and to carry out an orderly transfer of power.

### Electoral Court Dismisses Power Company Manager

*PY2812165495 Madrid EFE in Spanish*
*0317 GMT 28 Dec 95*

[FBIS Translated Text] Quito, 27 Dec (EFE) — Guillermo Estrella, the vice president of the Ecuadoran Supreme Electoral Board [TSE] has reported that the TSE dismissed Edgar Santos from his post as manager of the Quito Electricity Company, Inc., for having cut the electricity supply to the institution while it was preparing the voters list.

Estrella told "Radio Quito" that the decision is based on the Election Law which allows the TSE to dismiss from their post and from their right of citizenship for one year any official or public employee who interferes in the electoral organizations even though they have nothing to do with the electoral process.

Estrella said the manager in charge of supplying electricity to Quito broke his commitment not to restrict the flow of electricity to the offices of the electoral board "which is preparing a purge of the voters' list that must be published in January," with which "36 continuous hours of work have been lost."

He said: "The TSE adopted this drastic measure — dismissing Santos — because we are unable to justify afterwards to the citizens and political parties the deficiencies within the old voters' list."

The TSE is currently reviewing the voters' list to correct the imperfections detected during the plebiscite on 26 November 1995, prior to the general elections slated for next year in Ecuador.

## Peru

### Ecuador Violates Air Space; Troops Mobilized

*PY2812181695 Madrid EFE in Spanish*
*1628 GMT 28 Dec 95*

[FBIS Translated Text] Lima, 28 Dec (EFE) — The Peruvian newspaper LA REPUBLICA reported today that Ecuadoran Air Force (FAE) planes invaded Peruvian airspace on 27 December and that in view of this, Peruvian military forces were immediately mobilized.

LA REPUBLICA states that a squadron of FAE "Jaguar" planes, manufactured by an Anglo-French company, overflew the slopes of the Condor mountain range inside Peruvian territory on a "reconnaissance flight."

The Condor mountain range marks the Peruvian-Ecuador border according to a border treaty signed by

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Peru and Ecuador in 1942, whose validity is questioned by Quito.

The two Andean countries waged an undeclared war on 26 January on 28 February.

LA REPUBLICA reports that Peruvian radar detected the incursion of the Ecuadoran "Jaguar" planes. They could have been intercepted by Peruvian Air Force (FAP) planes but the Peruvian high command preferred "to avoid a provocation."

Nevertheless, the Peruvian high command ordered the mobilization and transportation of land and air troops to the "El Milagro" base, in the region where the war took place.

LA REPUBLICA adds that the "Jaguar" is a two-seater for combat or spy missions, in which case it may be equipped with "Exocet Am-39" missiles and rockets. It is also equipped with a laser radar.

After stating that the FAE purchased 12 units in 1977, eight of which are still in use, LA REPUBLICA adds that beside France and Ecuador, other countries that have Jaguar planes are India, Chile and Nigeria.

### Military on Violation, Shots Fired

*PY2912001695 Madrid EFE in Spanish 2324 GMT 28 Dec 95*

[FBIS Translated Text] Lima, 28 Dec (EFE) — The Peruvian Armed Forces High Command today reported that Ecuadoran planes overflew Peruvian territory and that an Ecuadoran vessel fired shots at a Peruvian watch post.

The Peruvian Armed Forces Joint Command issued in Lima today two communiques in which it reports that these incidents occurred on 27 December at the Ecuadoran-Peruvian border.

According to one of the communiques, Ecuadoran planes made up to six overflights over a Peruvian watch post, which has been termed a "clear provocation."

The other communique states that an Ecuadoran speedboat carrying about 20 men, which was navigating the Pastaza River, fired shots at the Bobonaza watch post.

The communique adds that the Peruvian military attack was repelled but that no Peruvian casualties were reported.

### Military Command Issues Communiques

*PY2912025495 Lima America Television Network in Spanish 0100 GMT 29 Dec 95*

[FBIS Translated Excerpt] Ecuadoran airplanes flew several times today over Peruvian territory while an Ecuadoran patrol made up of 20 men entered our territory in the Pastaza River.

This information was disclosed by the Armed Forces Joint Command in two communiques released today. One of the communique says that when the patrol was discovered, it fired on the Peruvian soldiers. Fortunately, there were no casualties.

Also, Foreign Minister Francisco Tudela met with Peruvian Ambassador in Washington Ricardo Luna in Lima this morning to discuss the Ecuadoran purchase of war airplanes. [passage omitted]

[Begin unidentified reporter recording] Today, the Armed Forces Joint Command released two communiques on the violation of our territory by Ecuador. The first communique [no number as received] says:

1. On 27 December, Peruvian personnel of the MOMEP [Ecuador-Peru Military Observers Mission] reported that two Ecuadoran noncombat airplanes of the Buffalo or Araba type flew over the Peruvian Watch Post One, which is in a demilitarized zone. At 0845, the same airplanes flew over Watch Post 2 four times, thus flagrantly violating our air space.

2. Such overflights are a clear provocation and a deliberate violation of the agreements signed by the two countries.

3. In the face of this event, the Peruvian Government through the general liaison officer submitted the most energetic protest to the coordinator general of the MOMEP.

The second communique, No. 017, says:

1. On 27 December, personnel of the Peruvian Bobonaza Watch Post detected the presence of an Ecuadoran patrol made up of approximately 20 men who were moving in a boat in the Pastaza River inside our territory.

2. When the Ecuadoran patrol was detected, it opened fire on the Peruvian Bobonaza Watch Post and the fire was repelled.

3. After approximately one hour, two Ecuadoran speedboats appeared, the fire stopped, and the Ecuadoran patrol withdrew from the site. There were no casualties among the Peruvian Army troops.

4. The appropriate liaison with the MOMEP has been established to fulfill the requirements contained in the security regulations for the Peruvian and Ecuadoran Armed Forces. [passage omitted]

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Peruvian Ambassador in Washington Ricardo Luna, who was recalled from Washington and arrived yesterday, held a long private meeting with Foreign Minister Tudela in the Foreign Ministry. There was no official information on the meeting, but it is presumed that the main issue was our relations with Ecuador. This issue was the reason for the meeting of the National Defense Council held in the Armed Forces Joint Command headquarters. The defense minister attended the meeting and although he preferred not to make an official statement, confirmed the peaceful desire of our country. [end recording]

### Commentary on Perils of Arms Race

*PY2912015395 Lima EXPRESO in Spanish*
*16 Dec 95 p A2*

[Commentary by Manuel D'Ornellas: "Dealings With Merchants"]

[FBIS Translated Text] Peruvian Ambassador to Israel Jaime Stiglich has just assumed his duties. It is assumed that his first duty will be to gather exhaustive information from the Israeli Foreign Ministry about the sale of Kfir planes to Ecuador.

Peruvian Foreign Minister Francisco Tudela believes this sale alters the strategic balance between Ecuador and Peru, although the United States seems to think otherwise: It has been learned that Edward Casey, Washington's special envoy to Lima, has informed the Peruvian Government that the U.S. will authorize the sale of these four planes to the Ecuadoran Air Force. They will replace the planes destroyed during the Cenepa conflict last summer, although this has never been acknowledged by Ecuador. Casey argues that in so doing, the strategic balance would be restored to its normal levels.

Maybe yes and maybe not because Peru also lost several planes during the war waged in January and February. At any rate what seems obvious is that weapons dealers want to take advantage of the situation to close new deals. In Quito, for example, there is not only talk about purchasing four Kfir planes but — depending on your source of information -- about acquiring 8 and even 24 planes.

This is how an arms buildup starts. Here in Lima, for example, a local newspaper has already suggested the idea of reequipping the entire FAP [Peruvian Air Force] by acquiring several Russian combat planes. This is how the dealings with merchants start in both capitals.

The United States cannot and should not remain impassive before this situation. Current U.S. laws in force state that the United States, which is a guarantor country of the Rio de Janeiro Protocol — is empowered to stop the sale of Kfir planes. In view of this, and because the Kfir planes are equipped with U.S.-manufactured engines, Israeli officials were compelled to request Washington's authorization.

It is of little significance whether Ecuador is able to restore its deteriorated offensive and defensive capacity with this purchase; the heart of the matter is the need to avoid the unleashing of an arms race that will affect Peru's public finances and deteriorate even further the serious financial crisis affecting the Ecuadoran Government.

Moreover, the Israeli Government should abstain from making this sale. The Israelis should practice in our region of the world the same peace that they preach in theirs.

### Forces on 'Maximum Alert' Over Terrorist Plan

*PY2812180895 Madrid EFE in Spanish*
*1705 GMT 28 Dec 95*

[FBIS Translated Text] Lima, 28 Dec (EFE) — A police source reported today that Peruvian security forces are on maximum alert after their intelligence services unveiled a terrorist plan that was to have been conducted within the next few hours in Lima.

The source said terrorists of the Red Path gang were planning to bomb the National Police Noncommissioned Officers School, the police garrison in the semi-urban district of Puente Piedra, and several public buildings on the northern part of Lima.

The source added that the attacks were to be carried out on New Year's eve, during which they also planned to cause a blackout by destroying several power pylons.

The alert call affects all police units and some of the Armed Forces.

The Armed Forces have mobilized armored vehicles and patrols of soldiers to control the most important accesses, especially the so-called Central Highway which links Lima with the central part of the country, and where the presence of terrorist groups have apparently been detected.

The police source added that special communications systems have also been established and the patrols have been ordered to carry out their mission with enough weapons and ammunition to face surprise attacks.

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### Support For Fujimori Administration Increasing

*PY2812180395 Lima EXPRESO in Spanish 18 Dec 95 p A4*

[FBIS Translated Text] A recent poll conducted by the Apoyo company, the result of which was released yesterday, shows support for President Alberto Fujimori's administration has increased by three points compared to November 1995.

The poll shows that 73 percent of the people support government action, and 77 percent expressed agreement with the antisubversive fight and measures to achieve pacification. Moreover, 59 percent expressed satisfaction with the economic program.

The poll was based on 506 interviews in the Lima metropolitan area.

Another question posed to the people was related to President Fujimori's possible candidacy for reelection for a third period in the year 2000. Some 49 percent of those interviewed expressed opposition to that possibility, and 38 percent expressed agreement.

## Venezuela

### GNP Increases 2.2 Percent; Planning Minister Comments

*PA2912011995 Caracas Venezolana de Television Network in Spanish 0200 GMT 22 Dec 95*

[Report by Zayda Pereira]

[FBIS Translated Text] The Venezuelan economy has recorded a significant improvement following three years of recession, as evidence by the 2.2 percent increase in the GNP recorded at the closing of the country's 1995 macroeconomic balance. Zayda Pereira reports.

[Pereira] The figures disclosed at Cordiplan [Office of Coordination and Planning] are mostly positive. Oil activities represented 7.7 percent of the GNP, and oil exports increased significantly, to $4.5 billion, breaking a record. The recovery of the manufacturing industry started in the second quarter of the year. The trade balance favored us by $6.907 billion, and fiscal oil revenues exceeded expectations by 18 billion bolivares. Meanwhile, income taxes and sales taxes failed to meet expectations by 270 billion bolivares.

In addition, the unemployment rate reached 10.7 percent, and informal activities reached 48.6 percent. Meanwhile, 1.046 trillion bolivares are required to meet financing needs:

[Begin Cordiplan Minister Edgar Paredes recording, identified by caption] The basic figures indicate a deficit of 771 billion bolivares in 1995, which represents 6.1 percent of the GNP. This is the fiscal deficit by late 1995. It will be used as a parameter to launch a plan of drastic reductions in this fiscal deficit within the framework of the Venezuelan agenda. [end recording]

[Pereira] Paredes has said the only sector that registered a large downturn was the construction sector, which dropped by 11.4 percent. As for the estimated inflation rate for 1996, he has said it will be lower than this year's rate.

### President Comments on Figures

*PA2912031595 Caracas Venezolana de Television Network in Spanish 0200 GMT 23 Dec 95*

[Report by Pedro Prado]

[FBIS Translated Text] President Rafael Caldera today asked Venezuelans to compare the real economic figures with the predictions of Venezuelan and foreign experts, who had predicted a more critical year for the country.

The head of state took advantage of the Christmas party held in honor of press representatives in Miraflores Palace to analyze the economic figures disclosed by the Central Bank and reported by Cordiplan [Office of Coordination and Planning], which contradict the predictions of an economic debacle.

[Begin Caldera recording] For example, the GDP rose by 2.2 percent. What does this mean? That after two years of a steady decline and negative growth, for the first time the economy shows positive signs. The growth of the GDP is 2.2 percent, in spite of the fact the wise men had said Venezuela was going downhill and that production declined every day. The trade balance yielded a positive balance of $6.907 billion. A country that is bankrupt cannot present these figures. [end recording]

The president criticized the fact that the media publish estimates from foreign organizations, which create economic uncertainty for their own profit. He denied the reports on his alleged foreign advisers.

[Begin Caldera recording] None of those gentlemen who have come here to speak about the Venezuelan economy have served as advisers to my government. They have been invited by some government officials. They have come to speak here and I have heard them. I simply did not respond to them but told them I would study what they propose. [end recording]

President Caldera compared the work carried out by the government to confront the crisis with the task of an architect, who is ordered to rebuild a home with people living inside.

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**Business Sector: First 3 Months of 1996 'Decisive'**

*PA2912013195 Caracas Venezolana de Television Network in Spanish 0200 GMT 22 Dec 95*

[Report by Zayda Pereira]

[FBIS Translated Text] The first three months of 1996 will be decisive for the country's economic development if we take into account such priority measures as the lifting of controls. Zayda Pereira reports.

[Pereira] Pedro Carmona, Conindustria [Venezuelan Council of Industry] president, has commented in this regard following the release of the results of the survey on the current situation, which has indicated that the expectations of the business sector regarding the overall situation dropped by 10.42 percent. Investment expectations increased by 19 percent despite this fall, compared to those of 1994, because those who were polled believe they will grow by 24.67 percent.

As for the employed labor force by category, the largest increases were in the small-scale industry, which increased its number of jobs by 18,000. Meanwhile, the large-scale industry increased its number of jobs by 10,000, but everything will tend to improve if adequate measures are taken:

[Begin Carmona recording] Now that the year is ending, there is a basic expectation from the entire industrial sector about the announcements, especially those linked to the continuation of the negotiations on the structured adjustment plan, the Presidency of the Republic could make by year's end. The country is now depending on what will be adopted concerning economic matters within the next 90 days. [end recording]

[Pereira] Of the 400 companies surveyed, 45.17 percent increased their order and placement books [cartera de pedidos y colocaciones], but they decreased their profitability margin by an estimated 2.85 percent.

**Firms To Invest $500 Million To Manufacture Orimulsion**

*PA2912031295 Caracas REPORTE DIARIO DE LA ECONOMIA in Spanish 21 Dec 95 p 2*

[Report by Maria de la Paz Higueras]

[FBIS Translated Text] Four associated companies will invest $500 million in a project aimed at exploiting Orimulsion, in the next 20 years, following the approval during the Council of Minister's 20 December meeting of a project presented by private sector representatives, PDVSA [Venezuelan Petroleum Inc.] officials, and the energy and mines minister.

In fact, after discussing issues of strictly administrative interest, the executive team listened for two hours to the speeches delivered by representatives of Bitor [Orinoco Bitumens — Bitumenes del Orinoco]. This PDVSA affiliate, in the last few months, has led the studies conducted in Monagas State. Additionally, if the project is definitely approved, a plant in which $320 million will be invested in the first year alone will be built.

Minister Erwin Arrieta, who is one of the promoters of what has been called "strategic associations" — a solution to continue to invest in the energy sector without the state having to spend money — was the big winner of the day as the project was approved. His colleagues congratulated and applauded him at the end of the exhausting meeting.

After having being able to get the approval from the entire cabinet, Carlos Borregales, vice president of Bitor, which is one the associated companies and a PDVSA affiliate, explained that the investors — numbering four — have possibilities of immediately contributing at least $320 million. However, the works will not start until late 1996, following the construction of a plant in Monagas State that will manufacture approximately 5,000 tons annually starting in 1998.

The North American market would guarantee the commercialization, because an electrical company called Florida Power and Light is already interested in 80 percent of the production. It is likely that the rest could be sold in the European market, according to what the Venezuelan investor explained.

It is worth mentioning that, in this project, two foreign companies are participating: Conoco (United States) and Staat Oil (Norway). The former will invest 30 percent, and the latter, 20 percent. Bitor, a PDVSA affiliate, will invest 40 percent, and a Venezuelan consortium, Distral Iantesa, will invest the remaining 10 percent.

The construction of this company is about to be started, and the entire engineering and design phase is under way. Congress is expected to approve it definitely to start working.

**Erwin Arrieta: 3,000 Barrels To Be Manufactured Daily**

Meanwhile, the energy and mines minister, who came out of the ministers meeting with a radiant face, following what he considered a true success, announced that should Congress definitely approve this project, 3,000 barrels of Orimulsion will be manufactured daily by mid 1996.

"We are working in such a manner as to be ready to and capable of meeting the growing demand for this novel fuel Venezuela has developed to basically attend to the world markets. Of course, the investment planned for

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the first phase for $320 million, the first operation of which would start in 1997, will directly employ 1,500 workers and will have a labor force of 500 people," Arrieta stated. He also explained that the State would have a profitability rate of approximately 30 percent.

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